What ails the business schools?

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BUSINESS WEEK

A McGRAW-HILL PUBLICATION FIFTY CENTS OCT. 31, 1959



Granite City Steel's Nicholas P. Veeder is determined to stay regional, specialized – and prosperous. (Companies)

UNIVERSITY MICROFILMS
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ANN ARBOR MICH

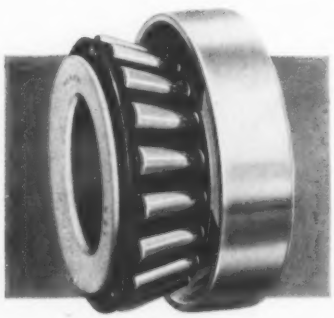


RUSH SEASON... marathon harvesting proves bearing stamina

Sunup to sundown is only half a day's work during rush seasons on the farm. Farm machines follow their headlights long into the night. And Bower roller bearings help them take the long hours of overtime work in stride.

This 'round-the-clock work load calls for bearings that hold up when the heat's on. The significant advantages of Bower roller bearings . . . in basic design, in materials, in manufacture . . . keep combines, tractors and other farm machinery rolling longer, season after season.

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BOWER ROLLER BEARINGS

Bower Roller Bearing Division • Federal-Mogul-Bower Bearings, Inc. • Detroit 14, Michigan

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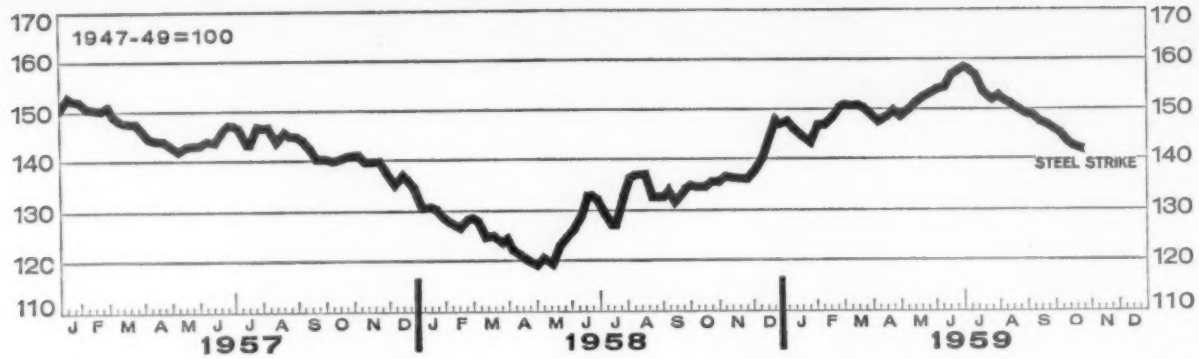
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NUMBER 1574

FIGURES of the WEEK



	1953-55 Average	Year Ago	Month Ago	Week Ago	§ Latest Week
BUSINESS WEEK INDEX (chart)	**133.3**	**136.1**	**146.6**	**143.2r**	**142.6***
PRODUCTION					
Steel ingot (thous. of tons)	2,032	2,024	362	371r	**368**
Automobiles	125,553	70,973	91,341	133,430	**111,120**
Engineering const. awards (Eng. News-Rec. 4-wk. daily av. in thous.)	$52,412	$46,898	$63,318	$48,966	**$45,223**
Electric power (millions of kilowatt-hours)	10,819	12,174	12,878	12,861	**12,762**
Crude oil and condensate (daily av., thous. of bbl.)	6,536	6,919	6,858	6,839	**6,875**
Bituminous coal (daily av., thous. of tons)	1,455	1,450	1,297	1,294r	**1,312**
Paperboard (tons)	247,488	304,776	336,246	332,662	**317,823**
TRADE					
Carloadings: mfrs., miscellaneous and l.c.l. (daily av., thous. of cars)	70	65	59	57	**59**
Carloadings: all others (daily av., thous. of cars)	47	51	37	36	**38**
Department store sales index (1947-49 = 100, not seasonally adjusted)	121	146	158	151	**160**
Business failures (Dun & Bradstreet, number)	198	275	282	252	**250**
PRICES					
Industrial raw materials, daily index (BLS, 1947-49 = 100)	89.2	89.6	93.6	93.9	**95.3**
Foodstuffs, daily index (BLS, 1947-49 = 100)	90.5	82.9	75.5	74.8	**75.2**
Print cloth (spot and nearby, yd.)	19.8¢	17.7¢	19.5¢	20.0¢	**20.8¢**
Finished steel, index (BLS, 1947-49 = 100)	143.9	186.2	186.8	186.8	**186.8**
Scrap steel composite (Iron Age, ton)	$36.10	$42.50	$43.17	$45.17	**$46.17**
Copper (electrolytic, delivered price, E & MJ, lb.)	32.394¢	27.650¢	31.530¢	32.870¢	**33.320¢**
Wheat (No. 2, hard and dark hard winter, Kansas City, bu.)	$2.34	$1.96	$1.99	$2.05	**$2.06**
Cotton, daily price (middling, 1 in., 14 designated markets, lb.)	34.57¢	34.74¢	31.76¢	31.64¢	**31.60¢**
Wool tops (Boston, lb.)	$1.96	$1.69	$1.88	$1.83	**$1.80**
FINANCE					
500 stocks composite, price index (S&P's, 1941-43 = 100)	31.64	50.80	57.01	56.88	**56.88**
Medium grade corporate bond yield (Baa issues, Moody's)	3.59%	4.91%	5.24%	5.29%	**5.26%**
Prime commercial paper, 4 to 6 months, N. Y. City (prevailing rate)	2–2⅛%	3¼%	4¾%	4¾%	**4¾%**
BANKING (Millions of Dollars)					
Demand deposits adjusted, reporting member banks	‡	60,933	60,232	60,827r	**60,805**
Total loans and investments, reporting member banks	‡	101,915	103,387	102,790r	**103,916**
Commercial, industrial, and agricultural loans, reporting member banks	‡	31,371	30,303	30,645r	**30,476**
U. S. gov't guaranteed obligations held, reporting member banks	‡	34,570	28,358	27,443r	**28,483**
Total federal reserve credit outstanding	26,424	27,046	29,016	28,667	**28,664**

MONTHLY FIGURES OF THE WEEK		1953-55 Average	Year Ago	Month Ago	Latest Month
Exports (in millions)	**Sept.**	**$1,290**	**$1,361**	$1,397	**$1,479**

* *Preliminary, week ended October 24, 1959.*
r *Revised.*

†† *Not available. Series revised.*
§ *Date for 'Latest Week' on each series on request.*

THE PICTURES—Cover—George Harris; 25—WW; 30—Gary Post Tribune; 33—(top. lt.) Natalie Parry, (top rt. & cen.) Herb Kratovil, (bot.) Joan Sydlow; 54—(top) Dallas Chamber of Commerce, (cen.) Convair, (bot.) Texas Instruments Inc.; 58—Dallas Chamber of Commerce; 60—UPI; 66, 67—Ron Appelbe; 75—WW; 84—Swarthmore College; 85—(top) University of California, (bot.) Columbia University Press; 92, 93—Gene Pyle; 116—Herb Kratovil; 125—Communications Counselors Inc.; 126—Gar Wood Industries, Inc.; 129—Herb Kratovil; 135—George Harris.

THE HUMAN SIDE OF PENSION PLANNING

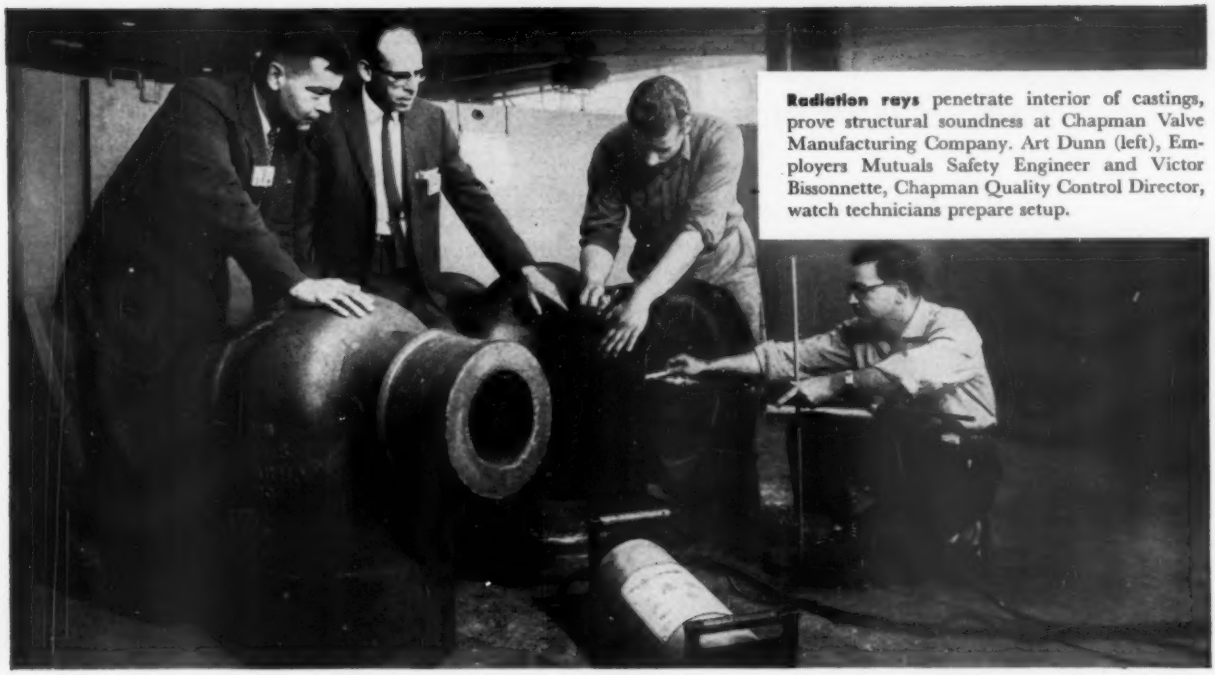
Protection for the retired is a major concern of U. S. business. The problem is how to invest today's contributions to produce the best results in the future. Our continuous research on this problem shows that balance and selection in the investment program is the solution. By helping to set up and manage hundreds of pension trusts, large and small, our Pension Trust Division has earned a leading position in this field.

BANKERS TRUST COMPANY, NEW YORK

FORWARD-LOOKING BUSINESS
NEEDS A FORWARD-LOOKING BANK

MEMBER F. D. I. C.





Radiation rays penetrate interior of castings, prove structural soundness at Chapman Valve Manufacturing Company. Art Dunn (left), Employers Mutuals Safety Engineer and Victor Bissonnette, Chapman Quality Control Director, watch technicians prepare setup.

INDUSTRY FACES NEW SAFETY PROBLEMS
WHEN THE "CIVILIAN ATOM" IS PUT TO WORK...

Wausau Story

by **WILLIAM UBER**
Radiation Specialist for Employers Mutuals of Wausau



"You've read that nuclear power now propels ships, produces electric power. And an estimated 1,600 companies are authorized to use radioisotopes for everything from measuring the thickness of paper to tagging different kinds of petroleum pumped through the same pipeline.

"Chapman Valve Manufacturing Company at Indian Orchard, Massachusetts, pioneered in using radioisotopes as part of their quality control program. Valves they cast might have openings up to ten feet, weigh as much as 3500 pounds. To test the casting without repositioning the big and heavy valve, a gamma source is placed in the center of the valve and a film is strapped around the outside. The full picture is taken all at one time.

"Then too, industries use nuclear energy for research. The Admiral Corporation in Chicago, another Employers Mutuals policyholder, studies the effects of radiation on electronic equipment. The parts to be studied are put into an irradiation chamber containing Cobalt 60. A project engineer watches the work through a 42 inch lead glass window . . . arranges the parts, even makes delicate connections with remote control manipulators. Chamber walls are 41 inches of magnetite ore, providing shielding equal to 7 feet of ordinary concrete.

"Guarding the safety of the men where radioactive materials are used requires special knowledge, special techniques, special instruments. The overall programs involve medical and monitoring procedures as well as mechanical protection. Employers Mutuals safety men work closely with the policyholders' health physicists and supervisors, exchange information and help watch all the details with the care radiation hazards demand.

"Sum it up by saying Employers Mutuals' chief concern is safety—reducing hazards and reducing accidents. In the field of radioactive materials, we serve progressive industry in the traditional 'Wausau Way'."



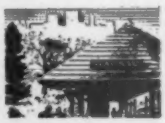
Radiation chambers at the Admiral Corporation Laboratory are surveyed by a health physicist after tests are completed. Facilities and procedures at this laboratory are models for radiological research and safety.

• • • • •

One way Employers Mutuals keeps pace with progressive industry is to provide specialists like Mr. Uber. In all fields, qualified men work with our policyholders to help solve their problems.

Employers Mutuals of Wausau has offices all across the country. We write all forms of fire, group and casualty insurance (including automobile). We are one of the largest in the field of workmen's compensation. Consult your telephone directory for your nearest Wausau Man or write us in Wausau, Wis.

Employers Mutuals *of* Wausau



"Good people to do business with"

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READERS REPORT

Loose Credit

Dear Sir:

Your very factual and accurate article, Laggard Auto Credit Due to Catch the Field [BW—Oct.17 '59,p125] covers the situation well . . . No issue could be taken with the comments as expressed. However . . . much could be developed from various points brought out in the article.

. . .The development of credit in its many phases, as related to the average citizen, has touched so many and varied segments of our economy that to mention "danger signs" in the installment or consumer credit picture would bring down wrath upon the heads of those who might be so bold. However, on the other hand, since it is more or less of a revolution in economics anyway, the gauge controlling safety in our credit boiler is not really dependable, and therefore to pinpoint these "danger signs" with any degree of accuracy would leave the experts "out on a limb" at some point along the line. Who would want to even maim the Golden Goose, let alone kill it?

The stigma formerly attached to borrowing or to purchasing consumer goods on the installment plan has long been erased. To pay cash for an article is more difficult today than it was to obtain credit 20 years ago. It is possible that our younger generation with its early knowledge of the use of credit, will, in adult life, exist on its credit rating entirely. The weekly salary check may well give way to simply a receipt for credits to charge accounts, etc. . . .

ALEXANDER J. FOLEY
PATCHOGUE, N. Y.

Nonwoven Pioneer

Dear Sir:

Your article, Fabrics Made Without Weaving [BW—Oct.3'59, p137] which performed a real service by discussing a poorly understood, but increasingly important, industry, was of interest to those of us at The Kendall Co. who are concerned with nonwoven fabrics.

. . . Kendall was one of the first if, indeed, not the first nonwoven business and . . . today it is one of the largest producers. . . .

We have been producing nonwovens since 1937; Kendall research activities have constantly developed new products for the nonwoven line until today we sell

Now! Special, Timesaving Snap-on Tool Kit for Electronic Assembly and Maintenance



5343-ET-B
ELECTRONIC
ASSEMBLY TOOL SET

43 tools including ¼-in. sq. drive ratchet, extensions, Flextension, universal joint and 2 plastic-handle drivers; 9 sockets, 5/16" to ½"; 4 open-end wrenches, 3/16" to 7/16"; 4 Boxocket® wrenches, 3/16" to 11/32"; 10 screwdrivers, Phillips and standard bits; screw starter; 6 pliers and cutters; soldering iron.

This new SNAP-ON kit of specially selected tools is made up to reduce costly labor time on electronic assembly and maintenance work.

Tiny wrenches slip between closely fitted assemblies on nut-turning jobs. Smooth, well-shaped handles aid efficiency of both men and women assemblers.

Thin blade tips on screwdrivers, with tips the same width as shank diameter, follow screws below surfaces, can reach in among intricate assemblies.

Pliers include needle nose, duck bill and diagonal cutter with plastic-covered handles — also midget tapered nose cutter, midget gripping pliers and special needle nose gripper-cutter. Both diagonal cutters have plastic jaw inserts which hold wire cutoffs.

Eighteen-watt, pencil-type soldering iron maintains constant 850° F. tip temperature for work on printed circuits or tiny assemblies. Entire set fits neatly in strong metal box for convenient carrying or storage.

These tools are top quality throughout — cost less because they outlast cheaper tools over and over. Use of fine steels permits light weight, slim, yet strong, tools that fit properly.

Put new speed on your assembly line with this SNAP-ON electronic tool set or one especially selected for your specific jobs. Write us or call your nearest SNAP-ON branch.

SNAP-ON TOOLS
CORPORATION
8100-J 28th Avenue • Kenosha, Wisconsin

five different basic types of nonwoven products. One is unique among all nonwovens: It has absolutely no binder. Nothing holds the cotton fibers together except the cotton itself. . . .

. . . It also has so much confidence in nonwovens that just last month plans were announced to form a new Fiber Products Div. of the company to concentrate almost exclusively on developing our nonwovens . . .

W. O. FORSSELL
VICE-PRES.
THE KENDALL CO.
WALPOLE, MASS.

The Truth Hurts

Dear Sir:

Prof. Charles Schultze is brave [BW—Oct.3'59,p146] when he tells the truth about the real effects of the Federal Reserve's monetary policy.

Tight money will in general raise cost of production, and if the demand is there, prices will rise accordingly. Most economists seem to have difficulties in keeping up to date with the ever changing economical pattern. A change in trading habits will change the whole picture in a few years.

ERIK BERGLUND
KETCHIKAN, ALASKA

No Retreat

Dear Sir:

Referring to your editorial [BW—Sep.26'59,p184] Step Backwards?—

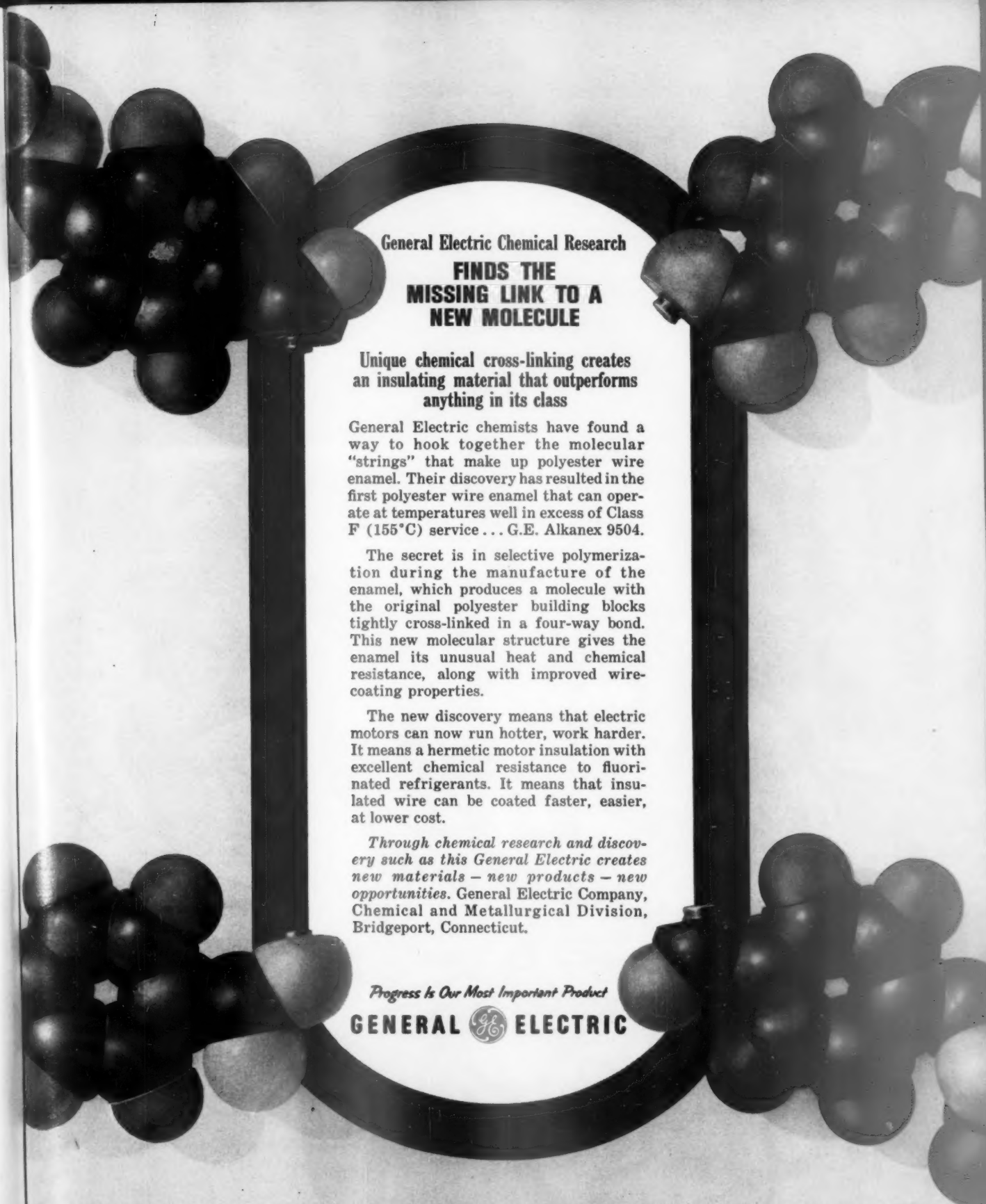
The Communists, historically have to date never retreated, they have shifted their position like a prize fighter does. . . .

The press during the visit of Khrushchev has stated, as did he, that he is an atheist and an apostle of Marx and an ardent follower of the Marxian program.

This being the case Mr. K. made for himself and all Communists how can anyone find anything else out of his visit but the desire on the part of them but to soften us with their reference to peace programs, so they can catch us asleep, just like Hitler did with Chamberlain and the British.

How can we possibly trust a man or group of men at the head of a government who basically are so dishonest to live and breathe the teachings of a man "Marx" who states that to gain your ends you should lie, cheat, steal and murder? . . .

FREDERICK W. SCHMIDT
OLYMPIA, WASH.



General Electric Chemical Research

FINDS THE MISSING LINK TO A NEW MOLECULE

Unique chemical cross-linking creates an insulating material that outperforms anything in its class

General Electric chemists have found a way to hook together the molecular "strings" that make up polyester wire enamel. Their discovery has resulted in the first polyester wire enamel that can operate at temperatures well in excess of Class F (155°C) service . . . G.E. Alkanex 9504.

The secret is in selective polymerization during the manufacture of the enamel, which produces a molecule with the original polyester building blocks tightly cross-linked in a four-way bond. This new molecular structure gives the enamel its unusual heat and chemical resistance, along with improved wire-coating properties.

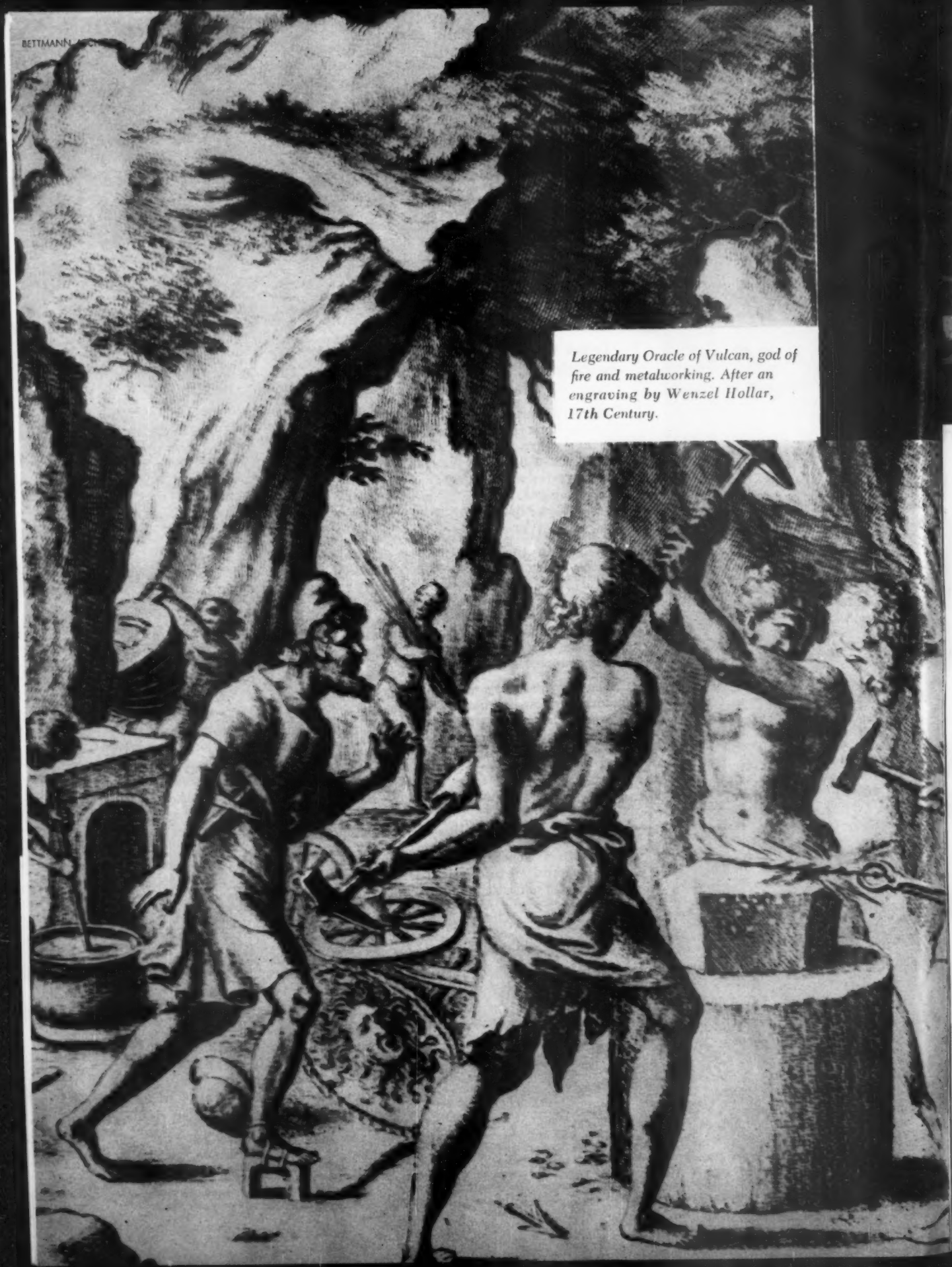
The new discovery means that electric motors can now run hotter, work harder. It means a hermetic motor insulation with excellent chemical resistance to fluorinated refrigerants. It means that insulated wire can be coated faster, easier, at lower cost.

Through chemical research and discovery such as this General Electric creates new materials – new products – new opportunities. General Electric Company, Chemical and Metallurgical Division, Bridgeport, Connecticut.

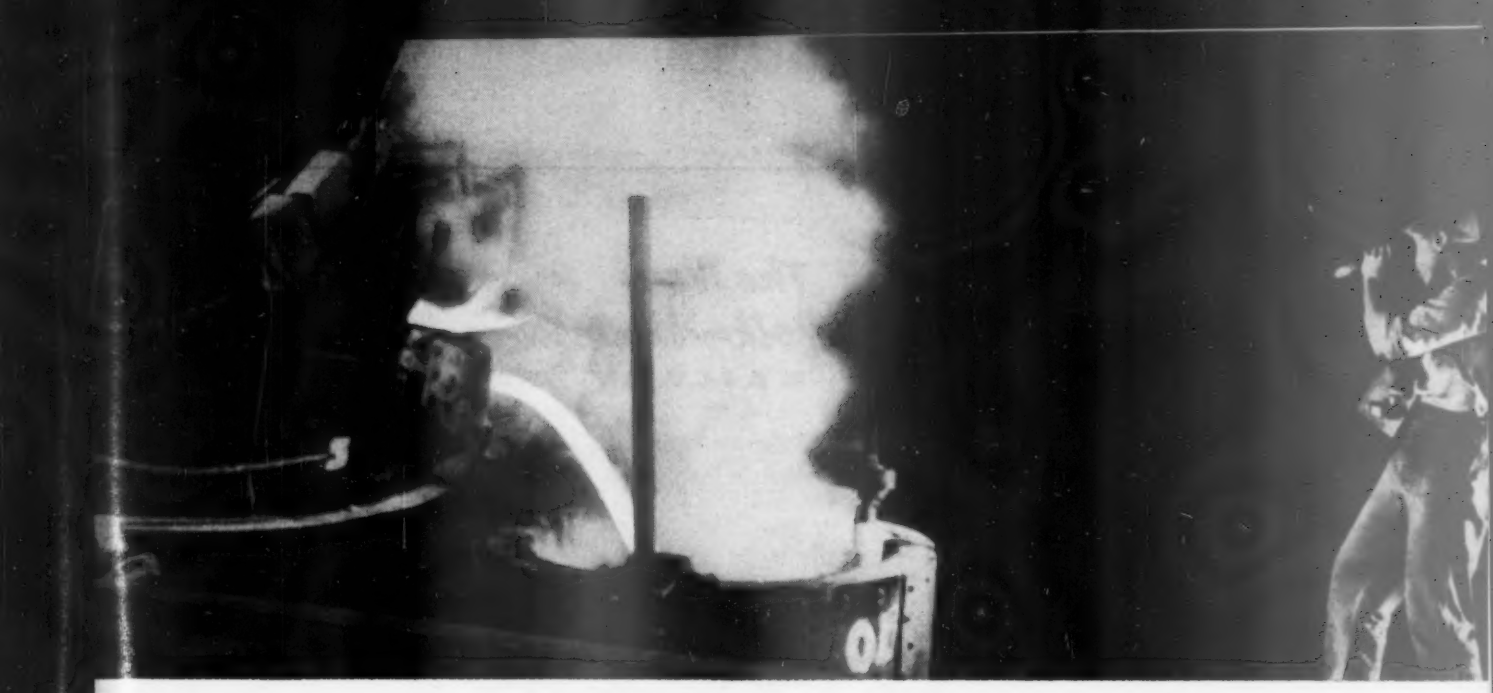
Progress Is Our Most Important Product

GENERAL ELECTRIC

Silicone Fluids, Emulsions, Resins, Rubbers • Phenolic Molding Powders, Foundry Resins, Industrial Resins • Fused Magnesium Oxide • METHYLON® Coating Intermediates • LEXAN® Polycarbonate Resins • Mica Products, Varnished Cloths and Papers, Electrical Insulating Paints, Varnishes, Permafils, Wire Enamels, IRRATHENE® Insulation • TEXTOLITE® Decorative and Industrial Laminates • Man-Made Diamonds • Vacuum Melted Alloys • CARBOLOY® Cutting Tools • Permanent Magnets • Wire and Cable • Conduit Products • Wiring Devices • West Coast (Anaheim, California): GLYPTAL® Alkyd Resins • Polyester Resins



Legendary Oracle of Vulcan, god of fire and metalworking. After an engraving by Wenzel Hollar, 17th Century.



steel man's oracle...1960

Here, in *Carpenter's* modern version of an ancient Roman oracle, the future performance of the specialty steels you use can be predicted with an accuracy never before possible in steelmaking history. Its name . . . MEL-TROL®, a new refinement in steelmaking. Its secret . . . traditional *Carpenter* quality controls utilizing a revolutionary new, patented ingot mold.

In the past, despite every precaution, it was practically impossible to remove with consistency many harmful impurities from a steel ingot before it solidified. Composition varied from core to surface. Result: centerline weakness and segregation in specialty steel tools, dies and critical parts. Tools and other products cracked or failed prematurely. Downtime slowed production; ran up costs. Customers were unhappy.

Now, with development of the new and exclusive MEL-TROL process, *Carpenter* can maintain greater consistency of structure and composition than ever before . . . through-and-through uniformity that assures you the most *predictable performing* steels ever produced. And at no extra cost.

These are the kind of things MEL-TROL is doing in many plants across the country: Production increased 400%. Tool life extended nine times. Costs down 75%. These are the things MEL-TROL can do for you.

New CAPACITY . . . To give you famous *Carpenter* Quality steels in greater quantity, faster, *Carpenter* has virtually doubled production capacity in the past two years, with additional melting and finishing facilities.

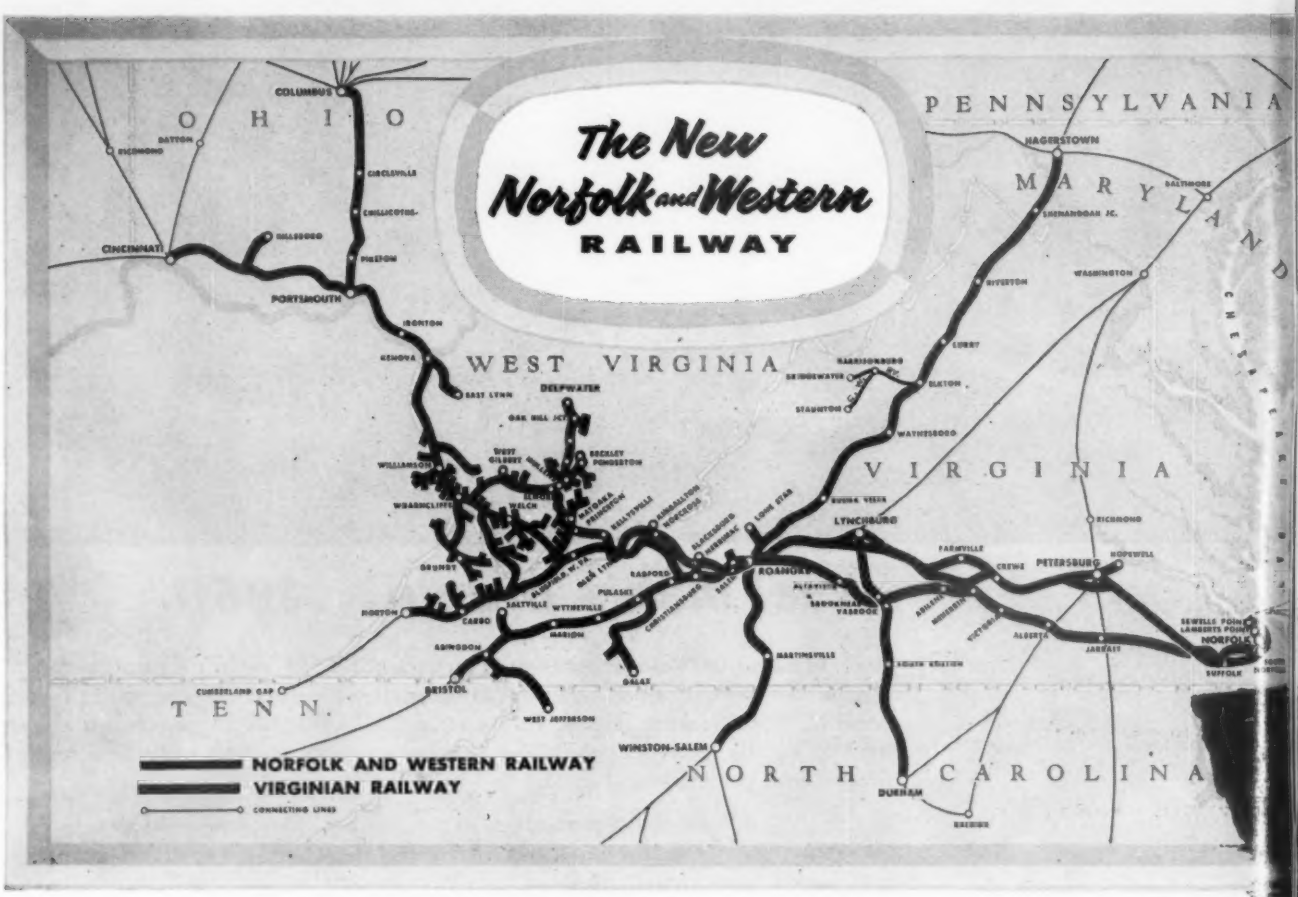
New SERVICE . . . What was already a leading, nationwide warehousing and technical service facility has been implemented and expanded to provide even better and faster help on any specialty steel problem.

tool and die steels
stainless steels
high temperature alloys
electronic, magnetic and electrical alloys
special-purpose steels
tubing and pipe
fine wire specialties

***Carpenter* steel**

a new company 70 years old

The Carpenter Steel Company, Main Office and Mills, Reading, Pa.
Alloy Tube Division, Union, N. J.
Webb Wire Division, New Brunswick, N. J.
Carpenter Steel of New England, Inc., Bridgeport, Conn.



this is today's Norfolk

The first merger of two major, independently operated railroads in modern times is a reality. The historic merger of the Virginian Railway into the Norfolk and Western Railway has been approved by the Interstate Commerce Commission.

The bigger, stronger and more efficient Norfolk and Western has two principal objectives. First, the railroad will provide faster and continuously improved service to industry and business along its lines and throughout the nation. Second, it will make available to industry a number of choice new plant sites. The territory of these sites will offer industry an abundance of low-cost power, ample industrial water, huge supplies of superior, all-purpose Bituminous coal, high quality limestone and a great variety of other raw materials; nearness to the big consuming markets of the Southeast, Middle West and North, and overseas markets through the modern ice-free Port of Norfolk on famed Hampton Roads, plus stable, home-rooted manpower, reasonable taxes and communities that are friendly to industry. With an enlarged and strengthened industrial development department, the railroad will go all out to attract new industries to the expanded territory of the six progressive states it serves.

The merger of the two railroads makes the Norfolk and Western one of the financially strongest and most efficiently operated trunk lines in the United States, with excellent connections to the four points of the compass. This strategically located rail system has 2,747 miles of road, 5,870

Norfolk



Two Great Railroads to Become One

and Western . . . On the Go!

miles of track . . . nearly a billion dollars in assets . . . 81,000 freight cars — more freight cars per mile of line than any other railroad in the United States 250 miles or more in length . . . the nation's newest and most modern fleet of diesel locomotives . . . up-to-date signalling and communications systems . . . huge Tidewater terminals and many other top-notch facilities.

Physical consummation of the two railroads with extensive improvements will get underway as soon as possible. The Norfolk and Western looks forward eagerly to taking full advantage of the bright opportunities in the dynamic years ahead.

Statement by Stuart T. Saunders, N&W President:

"The Interstate Commerce Commission's approval of the merger is a landmark decision which signals a new day in the progress and development of greater efficiency and better service by the combined railroads. It reflects a farsighted viewpoint on the part of the Commission and a sympathetic interest in solving one of the major problems which confront the railroad industry today — the elimination of duplicating and unneeded transportation facilities and services. The Norfolk and Western expresses sincere appreciation to those progressive industries and individuals, civic groups and other organizations whose wholehearted endorsement helped to make this historic merger possible. It is an invigorating challenge, and opens a new era for the new system. The bigger, stronger and more efficient Norfolk and Western is on the go. The railroad has the facilities, the know-how, the determination and vigor to meet the challenge — to do the job."

and Western Railway



50 States thrive on Bridgeport Metals

Brass...to guard America's frontier

Our first line of defense, a radar line stretching from Alaska to Greenland is called the BMEW (Ballistic Missile Early Warning) communications system. Part of the vital components in this system are large, rectangular, metal pipes, called flexible waveguides, which are used to transmit microwave energy between components of radar equipment. Made in convoluted tube form of Bridgeport Low Brass Strip, an alloy with high ductility and good resistance to corrosion, these precision engineered waveguides are extremely flexible despite their size. They operate continuously in the most severe weather conditions known in the Arctic regions.

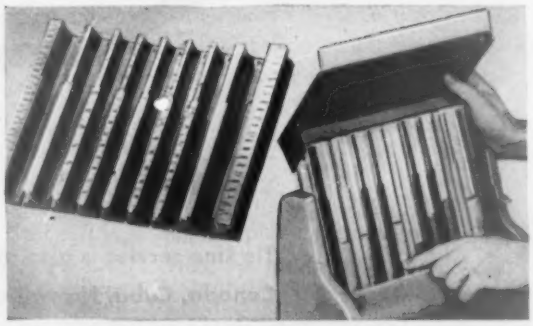


BRIDGEPORT BRASS COMPANY



Aluminum...quick change for happy customers

Faster check-outs speed shopping with new coin dispensing cash registers which automatically calculate change and dispense the correct coins. The new registers virtually eliminate the human error in change making. A Bridgeport Aluminum Extrusion (shown at right) forms the magazine which holds the coins. These multi-channel extrusions are carefully engineered by Bridgeport to meet the most critical flatness, twist and dimensional tolerances, and insure trouble-free operation of the new register.



Looking for new ideas in metals? To learn how Bridgeport's wide range of metals can help you make better products at lower costs, call our nearest office or write today. Dept. 2604, Bridgeport Brass Company, Bridgeport 2, Conn.

Specialists in Metals from Aluminum to Zirconium

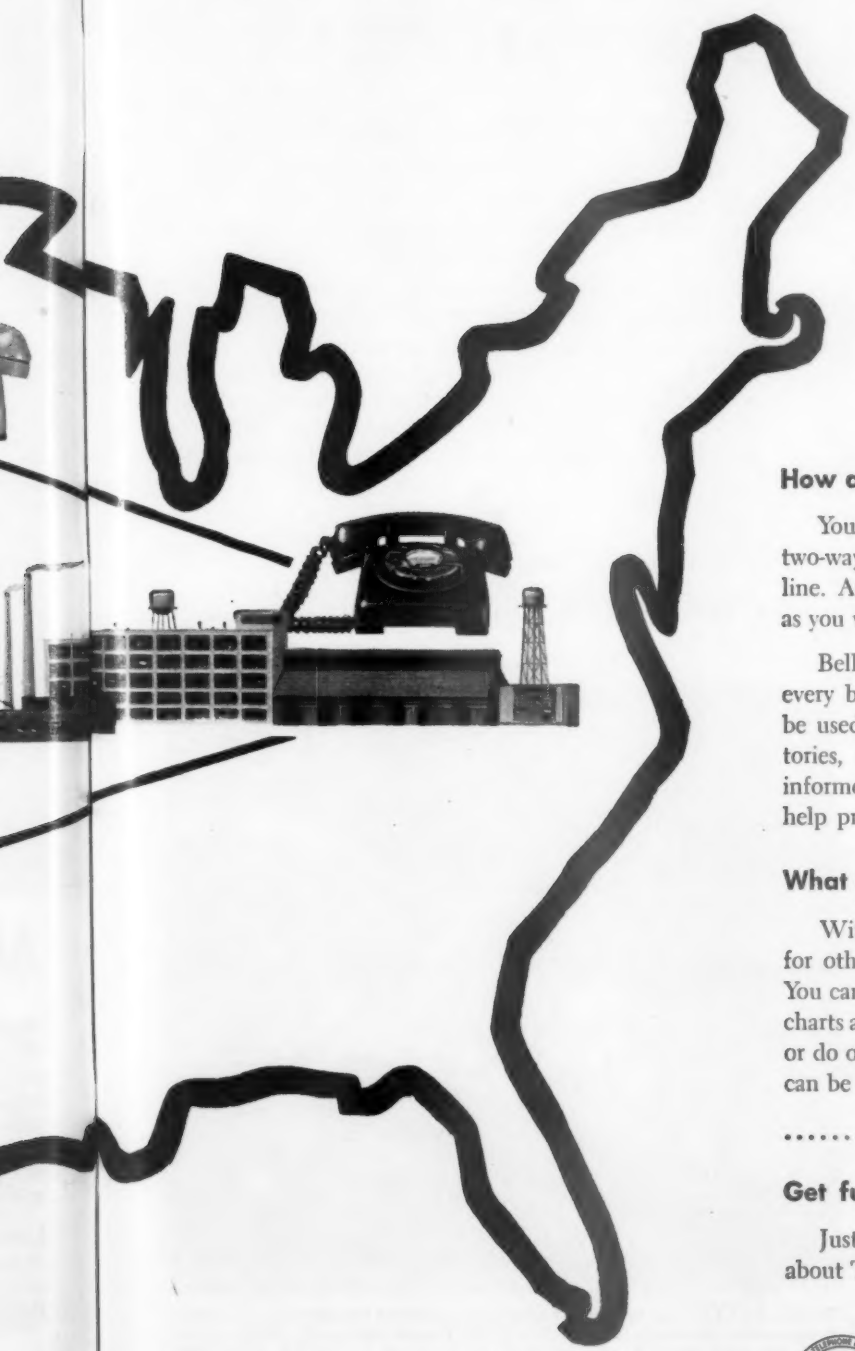
BRASS Bridgeport CO.

"Tie Line" telephone service —gives you unlimited calls



Tie Line service is also available to Alaska, Canada, Cuba, Hawaii and Mexico.

helps tie your locations together for a flat monthly rate



Tie Line service is your own direct telephone line between your offices or plants wherever they are. It is yours to use full time. You pay a flat monthly rate instead of paying by the individual call.

How are Tie Lines normally used?

You can use your firm's Tie Line for fast, personal, two-way conversations between *any* of the points on the line. And you may use it as *often* as you want for as *long* as you want for the flat monthly rate.

Bell System Tie Line service is a valuable asset for every business with two or more locations—for it can be used *full time* to speed orders, help control inventories, reach decisions more quickly, keep everybody informed. All of these things save time, cut costs and help promote sales. And that means profits!

What are the alternate uses for Tie Lines?

With a flick of your finger, you can use your Tie Line for other purposes—by adding the proper equipment. You can send teletypewriter messages, transmit pictures, charts and data, read meters at a distance, throw switches or do other specialized jobs. Some of these special uses can be of great value to your company.

Get full details—FREE...

Just call your Bell Telephone business office and ask about Tie Line service. No obligation, of course.

BELL TELEPHONE SYSTEM

Crucible steel service

HOW MULTI-PLANT COMPANIES CAN NOW STANDARDIZE ON SPECIALTY STEELS

A multi-plant owner recently discovered that no two of his plants used the same specialty steels, for no particular reason. Then he found that *using so many steels caused unnecessary expense* – in complicated, costly purchasing and excessive inventories. Worse still, the experience gained with steels at one plant wasn't being put to use in any of the others.

By using Crucible specialty steel centers, this multi-plant owner slashed costs substantially. He was able to streamline purchasing and even accounting for both plant and home office departments. This arrangement also reduced inventories and made them easier to check. And an exchange of technical information began flowing between plants.

This is a job only Crucible can do – for three reasons:

First, Crucible produces the full range of specialty steels for all industry's needs.

Second, Crucible distributes this full range through the largest network of local warehouses.

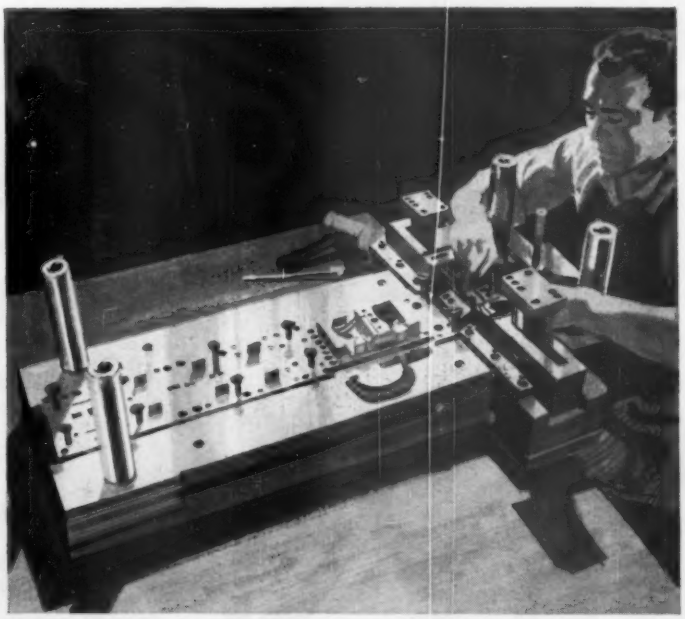
Third, Crucible staffs these service centers with engineer specialists in tool steels, stainless, and alloys.

All 32 local Crucible warehouses are stocked, equipped and staffed to service any plant, large or small. For details on how they can help you economize, call the one nearest you. Or write: *Crucible Steel Company of America, Dept. MJ-05, The Oliver Building, Mellon Square, Pittsburgh 22, Pa.*

Crucible products: 4 of thousands

VACUUM-MELTED METALS — An infinite variety of products, such as these aircraft compressor blades, are now made of vacuum-melted metals. Vacuum melting improves tensile and fatigue strength, corrosion resistance, ductility. Crucible technology and facilities embrace all the major melting processes.

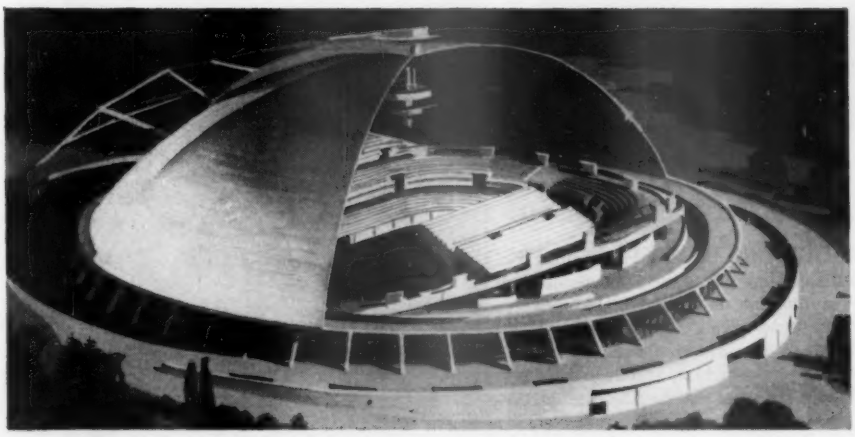




TOOL STEEL— A toolmaker checks the finished dimensions of a large progressive die made of Crucible Full Finish die steel. High speed, air-, oil- and water-hardening tool steels, such as REX®, KETOS®, AIRDI®, AIRKOOL, LA BELLE® and SANDERSON, are familiar names in virtually all the nation's metalworking plants.



COLD ROLLED ALLOY STRIP STEELS — Crucible produces the broadest range of cold rolled alloy strip steels in the industry. These steels are used in small hand tools, hand and band saw blades, chain saws, and for the millions of stamped and formed parts used in every industry.



STAINLESS STEEL SHEET AND STRIP—Retractable dome of new Pittsburgh Civic Auditorium is being sheathed with stainless steel. A major supplier to the building industries, Crucible produces stainless of uniform quality in all types, finishes, sizes.

FROM CREATIVE CRUCIBLE—the one full range of special steels: high speed; tool steel; plastic mold; stainless; free-machining, high-strength, wear-resistant and standard AISI alloys; hollow drill; agricultural discs and shapes; heavy-duty coil springs; specialty alloys; permanent magnets; cold rolled alloy and carbon spring steels; titanium and titanium alloys; stainless and high alloy welded tubing; vacuum melted metals.

CRUCIBLE STEEL COMPANY OF AMERICA

HOW *HERCULES* HELPS...

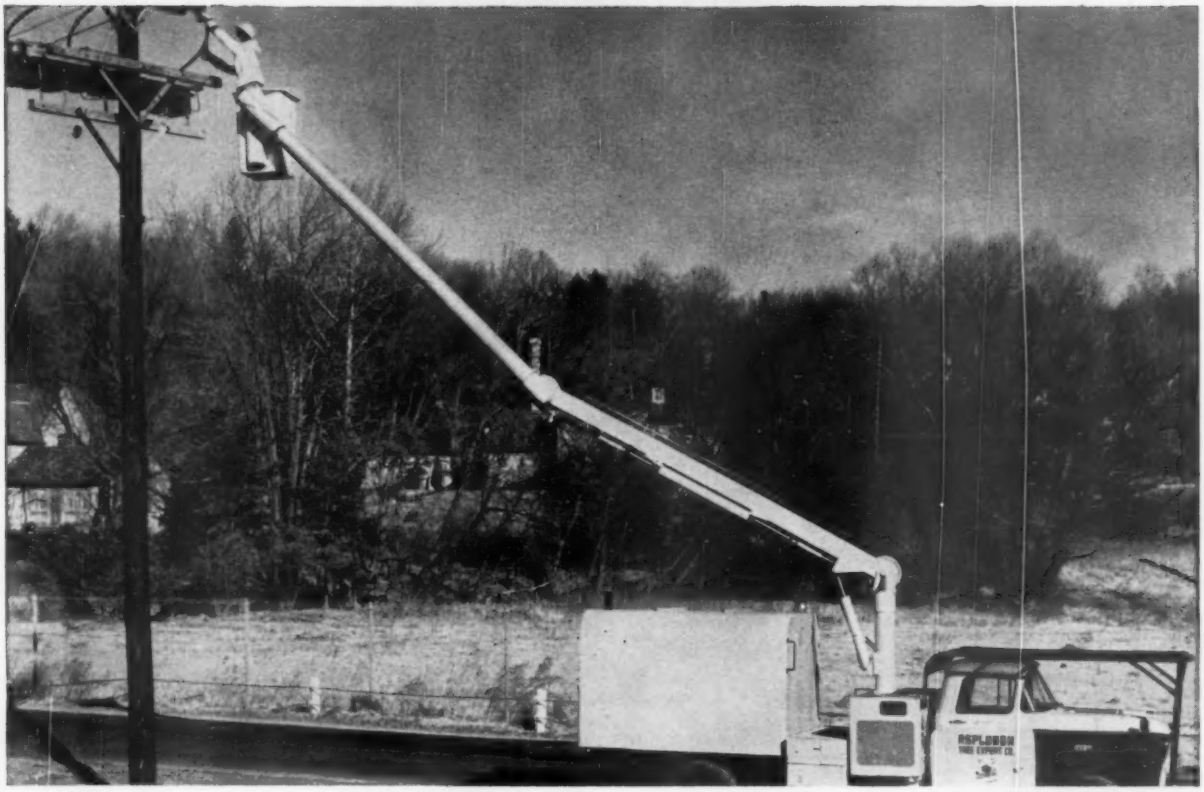


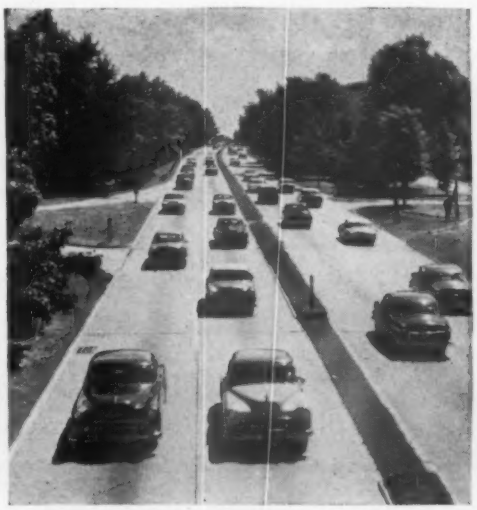
Photo courtesy Asplundh Tree Expert Co., Jenkintown, Pa.

MEN OVER THE WIRE—Spiralloy®, the filamentwound glass fiber-reinforced plastic material made by Hercules, is being used for booms on truck-mounted cranes of utility companies and tree surgeons. Since it is a nonconductor of electricity, Spiralloy is particularly well-suited for this application. Lighter than aluminum and stronger than steel, it has unmatched high-strength-to-weight ratio. Spiralloy-wound cylindrical structures also are gaining acceptance in such fields as missiles, boats, pipe, and storage tanks.



INCREASE SHOE LIFE—A new Hercules material now goes into specially impregnated leather shoe soles that actually "breathe" and have many times the wearability of leather soles. Developed in cooperation with the U. S. government, this product has already proven itself in many types of footwear.

MAKE DRIVING ECONOMY—Among the many Hercules items that go into your automobile is Dalpac® 4, Hercules di-tert-butyl-p-cresol. This antioxidant is added to gasoline at the refinery to inhibit gum formation, stabilize color and help maintain engine cleanliness. It means more trouble-free miles of driving for you.



HERCULES

HERCULES POWDER COMPANY
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900 Market Street, Wilmington 99, Delaware

CHEMICAL MATERIALS FOR INDUSTRY

G59-7

BUSINESS OUTLOOK



Now let's look at the size—and shape—of the economy. A quick look provides the best clues to where we're going.

New estimates, compiled by the President's Council of Economic Advisers, show that **upward progress has been dented.** This has resulted from the steel strike, of course, and comes as no surprise.

The dent, though, has been shallow. **And little, if any, represents permanent loss;** most is just postponed recovery.

All **production,** services as well as goods, now is valued at $481-billion (at an annual rate) for the third quarter. At that level, gross national product would be **off only $3½-billion from the second quarter.**

And it is $37-billion ahead of a year ago. Knock off for price rises, and it still is $28-billion better than 1958's third quarter.

Lost steel output shows up in a slump in business investment in inventories. The rate of accumulation in the second quarter was $10-billion a year; in the third quarter, the Council of Economic Advisers thinks the rate was probably $1-billion—or a $9-billion minus.

When all results are in, it may be found that the inventory turn-around was even more severe than that. Whatever the figure, **this represents stocks to be replaced**—bolstering activity in the months ahead.

Outside the area of steel and inventories, **business volume was still growing at a heartening rate** in the third quarter.

- **Consumers spent more** despite strikers' impact on income.
- **Government spent more** (mainly at the state and local levels).
- **Exports began to improve,** as expected, relative to imports.

These gains, all representing distribution of end products, were possible only by drawing down stocks on hand. The important thing is that such gains should go on during severe labor trouble.

Rising consumption during the steel strike is the best guarantee of demand when things get back more or less to normal. For it comes at a time when goods might be expected to get scarce and buyers cautious.

Washington guesses are that **fourth-quarter gross national product may recover to about $491-billion.** Perhaps the steel strike has been dragging too long for quite that much improvement over the third.

If so, the catch-up will be that much faster early in 1960.

Patterns of the post-steel recovery traced by Business Week in its last issue foresaw about the same $10-billion rise in the fourth-quarter's gross national product that Washington is now expecting (BW—Oct.24'59,p34). The Business Week estimates of inventory liquidation, however, resulted in a slightly deeper dip in third-quarter GNP.

—•—

Consumers' high-level spending last quarter, despite a reduction in incomes from wages and salaries, is a welcome portent.

They reduced their rate of saving to do this, of course.

But less saving, in itself, is significant. This means that **consumers weren't particularly worried,** in the aggregate, about their future earnings. The rate of **installment buying,** in fact, points clearly to the fact that they were willing to go into debt where necessary.

Consumers' durable goods—the big-ticket items that feel the first pinch of retrenchment—moved at a very high rate in the third quarter.

Spending was at an annual rate of $43.8-billion (seasonally adjusted). That was **only a shade lower than in the second quarter**—and the second quarter had set a new record.

This spending for hardgoods can hardly be overemphasized, for it is what necessitates dipping into savings—or even going into debt.

If buying of **softgoods** (including food) and services (such as transportation, personal care, and medical attention) took a bigger share of the consumer dollar in the third quarter, that was only natural.

These things come before the purchase of a car or a washer.

But the percentage didn't shift sharply. Softgoods and services got 80¢ out of each after-tax dollar in the third quarter; they had taken 79⅔¢ in the preceding quarter. Hardgoods got about 13.1¢ against 13.2¢ in the preceding quarter while saving dipped to 6½¢ from 7.2¢.

Lower rates of personal saving may be the cause of some concern for the future. A great many analysts always worry about the consumer getting overextended and occasionally they are right, as they were in the case of 1955's buying spree.

Nevertheless, the latest government estimates showing only 6½% of after-tax income saved aren't alarming on their face (though this is a decline from 7½% for 1957 and 7.4% in 1958).

Several postwar years have seen savings running less than 6½%.

Most concern about the consumer, and his spending-saving habits, is bound to center on his **use of installment credit.**

Consumers have **increased their installment debt** by about $4-billion from the year's low point in February. Compared with this time last year, the rise is closer to $5-billion.

By the same token, **the amount that has to be repaid each month has been rising,** too. It now averages $3.6-billion a month—about 13% of all that people have to spend after paying their taxes. This 13% isn't necessarily a ceiling, but the ratio never has been much higher.

Possible overextension of consumer debt drew the attention of Dr. Raymond J. Saulnier this week in a speech at the American Bankers Assn. convention (page 48). He warned that borrowing recently had **outpaced even the rate at which it grew in the record 1955 wave** of buying on time.

While expressing confidence in the over-all outlook, Dr. Saulnier cautioned that we should not try to "overreach ourselves" on credit.

Contents copyrighted under the general copyright on the Oct. 31, 1959, issue—Business Week, 330 W. 42nd St., New York, N. Y.

Experience**—the added alloy in **Allegheny Stainless



At the fingertips of your A-L Salesman . . . and at your service

In these card index wheels ready for action are the three teams of engineers and service personnel who back up your Allegheny Ludlum salesmen—the largest group of specialists in depth in the specialty steel business.

These teams, a total of 880 engineers and service people ready to help on any special problem, consist of these three groups:

380 Research & Development men who create new alloys, find new applications for today's alloys—and offer you every help in using them.

300 Quality Control men who rigorously test raw materials and each phase of manufacturing, pass on the finished product to assure you of Allegheny Ludlum quality in your steels and alloys.

200 Customer Service men who understand and solve customers' special problems, eliminate extra work on ordering and billing, answer inquiries promptly—act as your expediter.

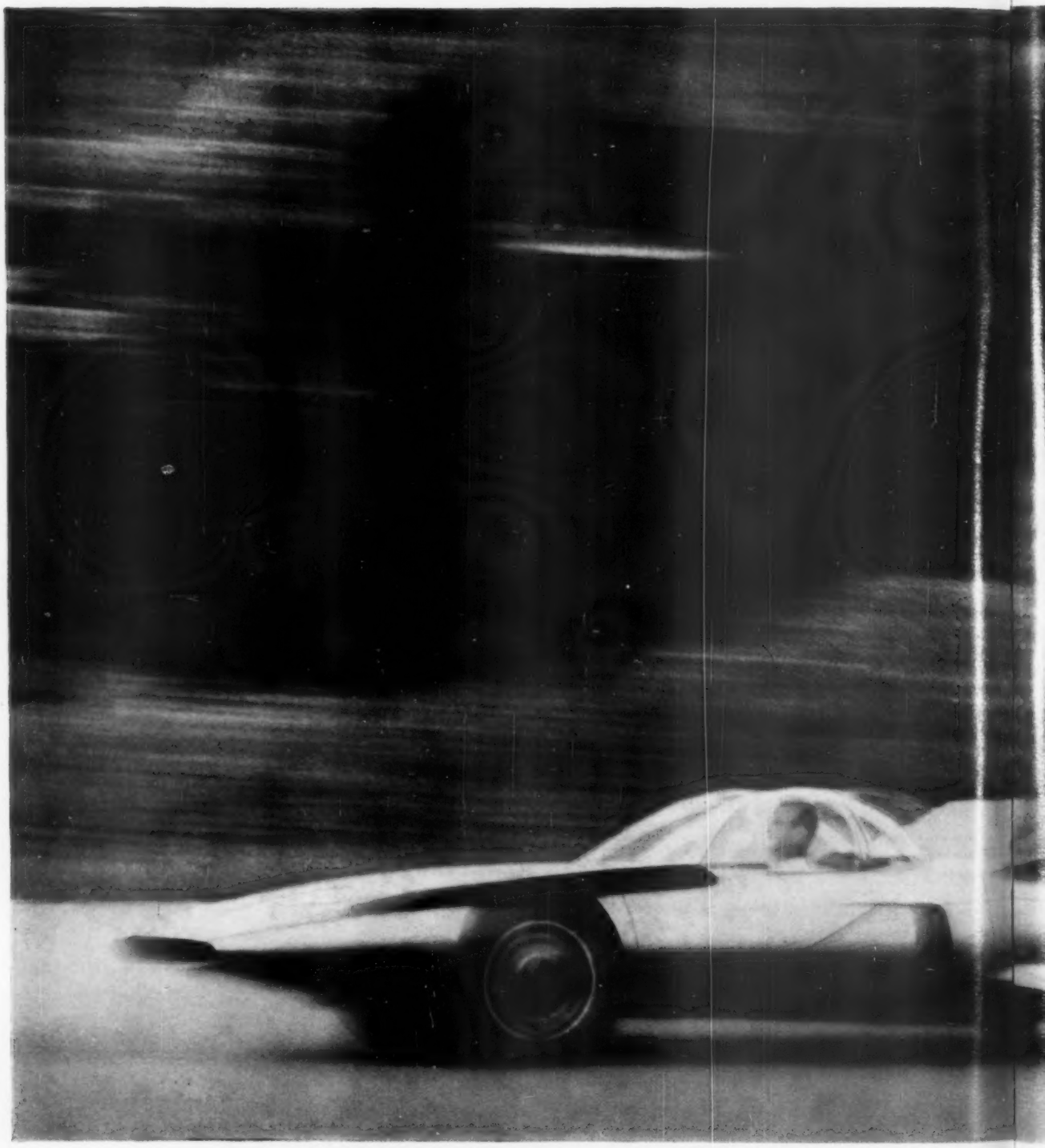
These are the men behind your Allegheny Ludlum salesman. Let him put the right specialist from 880 engineers and service men at *your* service when needed . . . whether it be something new, special or different, or for your regular requirements for top quality stainless, tool or electrical steels. ***Allegheny Ludlum Steel Corporation, Oliver Bldg, Pittsburgh 22, Pa.***

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ALLEGHENY LUDLUM

Export distribution: AIRCO INTERNATIONAL

EVERY FORM OF STAINLESS . . . EVERY HELP IN USING IT



electrical energy for the needs of motion

From tapering mouth to towering dorsal fin, the General Motors Firebird III is imagination in motion. Into its electrical system, designed and built by Delco-Remy engineers, went more than half a century of automotive electrical experience. At its heart is a compact transistorized voltage regulator and a 110-volt auxiliary a.c. generator powerful enough to operate appliances on camping trips or even to run home power systems in emergencies.



This ultramodern equipment dramatically illustrates Delco-Remy's anticipation of the future needs of motion, not only for ground-level motoring but in all the rapidly expanding frontiers of this age of space. Wherever vehicles of any type are to be set in motion—on, or above the earth—electricity plays an essential role. And Delco-Remy electrical systems are precision engineered and made to create, transform and control this vital, pulsing force.

The comprehensive Delco-Remy line includes • Generators • Regulators • Cranking Motors • Distributors • Ignition Coils • Horns • Flexible Cable Controls • Directional Signal and Control Switches • and Delco Batteries.

Delco-Remy

From the highway to the stars

DIVISION OF GENERAL MOTORS, ANDERSON, INDIANA



Architect: Thomas M. James Company, Architects, Boston, Mass. Associate Architects: Perry, Shaw, Hepburn and Dean, Architects, Boston, Mass. General Contractor: George B. H. Macomber Co., Boston, Mass. Curtain Wall Contractor: Hope's Windows, Inc., Jamestown, N. Y. Panel Fabricator: Seaporcel Metals, Inc., Long Island City, N. Y.

Boston Bank draws more interest with walls of steel

When the Merchants National Bank of Boston built this four-story office addition, they made sure they would always have a new building that would attract bank customers. It's a porcelain-enameled steel curtain wall building and it will always look crisp and new with very little maintenance. The porcelain-enameled panels have a surface like glass, with a backbone of steel. A quick wash—or even rainfall—will keep the building mint-clean. The panels will never have to be painted, scraped, or refinished, and the colors will never fade.

Construction costs were low. Because the steel panels are strong and easily insulated, the walls were made thin and very light. This allowed the builder to use a lighter, less expensive foundation and framework. Labor costs were reduced because the walls were factory-assembled into floor-to-ceiling units that were delivered to the building site ready to be set in place. The entire building was enclosed in days instead of weeks. It was completed and occupied without delay.

Whether you sell soap or bank services, better buildings help to make better business. Ask *your* architect about steel curtain walls. United States Steel, 525 William Penn Place, Pittsburgh 30, Pa.

USS and Vitrenamel are registered trademarks

USS STEELS FOR ARCHITECTURAL DESIGN

USS Stainless Steel • USS Vitrenamel
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USS United States Steel

BUSINESS WEEK

OCTOBER 31, 1959

NUMBER 1574



AT KAISER, worker relights furnace after company signed. Most steel mills were still shut, and the government was . . .

Putting Fresh Heat on Steel

With use of a Taft-Hartley injunction left up to the Supreme Court, the Administration is pressing harder for a negotiated peace.

How soon will steel production be resumed? At midweek, the answer depended no longer on collective bargaining, but on legal decisions to be made by the U.S. Supreme Court.

Whatever the court's findings, though, the slow pace of steel negotiations will speed up. Pressure is increasing for any settlement that would avert more months of uncertainty for the industry and the national economy.

The pressure comes from several directions—one of them the White House and its labor aides. Twice within the past week, Pres. Eisenhower urged the parties in the steel dispute to make new efforts toward a solution. Labor Secy. James P. Mitchell and Joseph F. Finnegan, director of the Federal Mediation & Conciliation Service, have continuously been in close contact with David J. McDonald, president of the United Steelworkers, and with R. Conrad Cooper of U.S. Steel Corp., the industry's chief negotiator.

• **Warning**—These have been more than merely routine talks. They mean there won't be any "cooling-off" period in the steel fight—even though a Taft-Hartley injunction may provide for one. Steel labor and management will be required to move into Washington for further, intensified negotiations unless they make "appreciable" progress in the next two or three days in the direct bargaining that resumed Thursday. If the talks do shift to Washington, federal mediators will be sitting in, and the Administration will be watching—with a prod ready if needed.

Finnegan gave McDonald and Cooper a blunt warning of that in telegrams Wednesday night. He reminded them of their "continuing responsibility" to settle their contract differences "regardless of judicial and administrative" procedures of the Taft-Hartley Act.

Then he told them pointedly: "If your efforts are not productive of an agreement by Sunday midnight, be advised that a joint bargaining conference is hereby scheduled for 10 a.m. Monday . . . in Washington. You and your bargaining associates will be expected to attend at that time and place. If there is any interruption in your direct bargaining efforts prior to Monday, the

date of the . . . meeting will be advanced."

• **More Pressure**—The reasoning behind this buildup of pressure should be obvious.

The crucial issues in the steel dispute were narrowed significantly in the hearings conducted in mid-October by Dr. George W. Taylor, chairman of the Taft-Hartley fact-finding board named by the President. Each side made concessions, showed some flexibility.

In the final days of the board's hearings, Arthur Goldberg, general counsel of the steel union, introduced a proposed settlement for the industry that had been worked out—in rough form—by the union and Edgar F. Kaiser, board chairman of Kaiser Steel Corp. The industry rejected this with two arguments: It was too costly, and it did not meet the major companies' demands for changes in work practice clauses (BW—Oct.24'59,p28).

In turn, the industry made new proposals to the union, including one that would refer at least a part of the work practices issue to binding arbitration. The union flatly rejected arbitration.

Direct bargaining stalled there. The Administration moved for an injunction—in legal steps stubbornly resisted by the union and still not completed late Wednesday (page 33).

• **Dissent in the Industry**—Meanwhile, last weekend, Kaiser Steel broke away from the 12-company Steel Companies Coordinating Committee to negotiate a separate contract with the USW—on the basis of the terms Edgar Kaiser and the union had suggested for the entire industry. The Detroit Steel Co., a smaller producer, followed the Kaiser lead. And, by the latter part of the week, about a dozen other companies—most of them small ingot-users rather than ingot-producers—were negotiating toward settlements.

To Finnegan and the Administration, the narrowed issues, the suggestion of arbitration, and now the bargaining among smaller companies clearly mean that greater pressure should be applied now—for a steel settlement.

I. Back to the Table

When McDonald of the USW and Cooper for the industry announced plans Wednesday to resume negotiations the next day, neither was particularly hopeful that the talks would settle anything important.

Cooper's industry advisers, still solid despite the Kaiser Steel defection, had mulled future strategy at a planning conference in New York. They came out of the meeting convinced that the "Kaiser plan" was not a basis for a new contract. Joseph L. Block, chairman of Inland Steel Co., commented to stockholders in a quarterly letter that the major companies "remain firm in our resolve to achieve a noninflationary settlement" and that as a result an end of the steel dispute was not in sight. Other steel executives expressed similar views.

Despite a showing of optimism, McDonald could hardly be considered more hopeful. After several days of tough-talking, table-pounding meetings between individual companies and union negotiating teams in Pittsburgh, the companies were still solid in the industry bloc. The only waverers up to midweek were smaller companies, most of them still operating under extended contracts.

• **Tactics**—In the talks between individual companies and their local union representatives, opposed strategies were at work:

• The union obviously was out to split the industry front by pressure for separate settlements—supported by warnings that those who turn down the Kaiser terms will face a more expensive settlement later.

• The companies just as obviously were intent on frustrating this divide-and-conquer strategy—and stalling while government and union attorneys fought over a strike-ending injunction.

II. Meanwhile, in the Courts

On the legal front, the government won a second round in its fight to enjoin the union from continuing its strike. Then it suffered a setback when it tried to have the walkout brought to an end "forthwith" this week.

The U. S. Court of Appeals for the Third Circuit ruled late Tuesday—by a 2-to-1 decision—that a Taft-Hartley injunction is a proper and legal device to bring to an end a strike that if continued "will imperil the national health or safety." However, it stayed enforcement of the injunction for six days, until next Monday, to give USW time for a U. S. Supreme Court appeal.

• **Still Out**—This meant that the walkout of almost half a million members of the union could continue through this weekend—and possibly well into next week. Arthur Goldberg, general counsel for the Steelworkers, is expected to petition the Supreme Court on Monday for a writ of certiorari and to apply at the same time for a further stay of the injunction.

In a certiorari proceeding, the Supreme Court decides whether or not it will accept a case. If it agrees to, formal hearings are held later.

III. Kaiser's Terms

The further delay in enforcing the strike injunction—and the possibility that the delay might last another week or so—worked in favor of the union in bargaining. The legal snarl placed an even greater premium on directly negotiated settlements.

This focused sharper attention on the terms of the Kaiser Steel Corp. agreement with the union.

• **Kaiser's Pact**—The agreement reached over last weekend is essentially the same as that discussed by Goldberg at the board of inquiry hearings. It provides:

• No wage increase this year, but a 7¢-an-hour increase in 1960. This will cost Kaiser about 9.3¢ in all—because of an extra 1¢ from the upward pressure on incentive rates and 1.3¢ from changes in the increment between job classifications.

• Improvements in pensions, insurance, and supplementary unemployment benefits to cost 10¢ an hour the first year.

• No cost-of-living adjustment this year, although steelworkers would probably be due 2¢ or 3¢ by the end of the year; in 1960, a limit of 3¢ an hour through a c-of-l formula.

The Kaiser Steel Corp. figures the "inflationary" cost of this package at roughly 22½¢ an hour for a two-year period. The union says this is "substantially" right.

• **Two Committees**—The agreement also provides for the creation of two special committees. One is a joint labor-management committee to study the problems of automation and working practices and to "settle problems in these areas by mutual agreement." This sloughs off the work rules issue for Kaiser Steel.

The second committee, is set up to "develop a long-range plan for the equitable sharing of economic progress"—somewhat high-flying language for what will be an attempt to peg wages and fringe benefits to the company's profit ratio.

The main objective of this second committee, according to Kaiser, is to try to do something about steel bargaining and strike problems. "Every two or three years, here we are with a strike," Kaiser commented. "Management and the union have to get together . . . have got to find a way to solve that."

The solution to these problems will be sought by arbitrators Taylor, David Cole, and John Dunlop, supported by three additional members from each side. Their committee has until July 1, 1960, to make first recommendations. If they find a formula both sides like, it can be incorporated into the new two-year contract next July.

• **Industry Reaction**—Both sides described the agreement as "non-inflationary." The industry as a whole doesn't agree; one spokesman called the Kaiser Steel terms "as inflationary as any ever negotiated in the steel industry."

Both sides could be right. The fact is, what might be noninflationary for

Kaiser might not be for other companies.

Kaiser is a relatively young company. Its employees have not built up years of seniority—and welfare credits. One estimate in Pittsburgh set the possible Kaiser cost advantage at about 17¢ an hour.

Moreover, other companies say flatly that they consider the Kaiser plan for handling work practices "completely unacceptable." The contract does not provide for any changes in work rules or set any target date for future revisions.

• **Why Kaiser?**—Despite the criticism—and skepticism—Kaiser, McDonald, and other negotiators were highly enthusiastic about their new contract. So, apparently, were the men in the Kaiser mill, jubilant when they tore up picket signs.

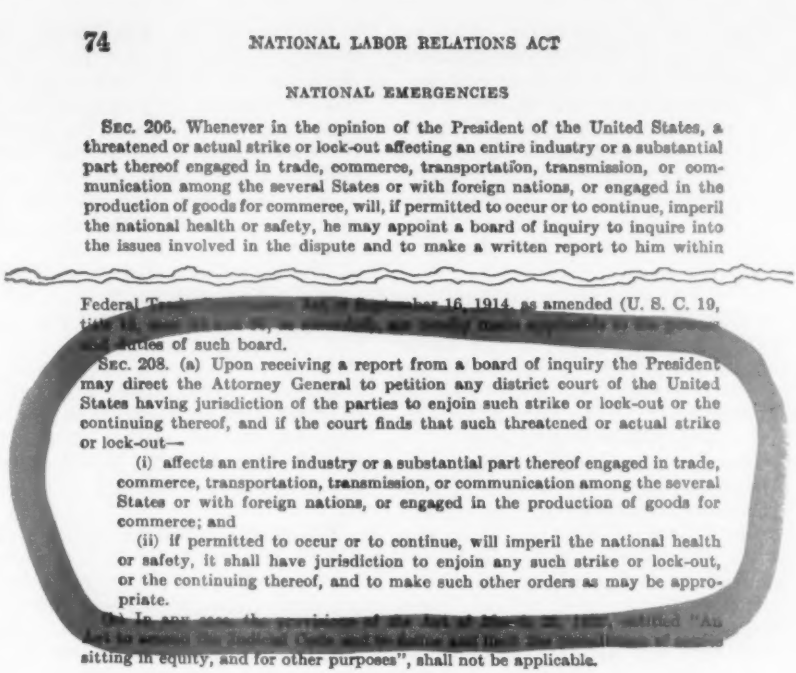
So, too, were officials of Detroit Steel when they signed a contract based on Kaiser's a day or two later. Detroit Steel, the country's 16th steel producer in size, with annual capacity of about 1.5-million tons, was never struck. It negotiated an extension with USW and agreed to negotiate a contract whenever any of the 12 major companies settled with the union.

• **Why Kaiser Signed**—Meanwhile, there was considerable speculation about why Kaiser broke with the industry. You can have a choice of reasons.

For instance, Kaiser—a newer mill—isn't saddled with many of the antiquated work practices that older mills find so objectionable. Also pending negotiations between the USW and the Kaiser Aluminum & Chemical Corp. (now under way and making progress) created pressure for settling the steel dispute—or facing a possible aluminum stoppage, too. And, quite possibly, financial problems, caused by the necessity of meeting heavy debt commitments, made a return to work a prudent move for a shrewd businessman.

However, there are other reasons. Edgar Kaiser is an unusual type of businessman (BW—Jun.12'54,p178). He considers a stable and happy relationship with his employees one of the most important goals of his business life. He sincerely objected to their having to return to jobs under the compulsion of an injunction, particularly because he felt the industry's demand for unilateral controls over work practices is morally wrong—and a hindrance to real collective bargaining.

A good guess is that when Kaiser broke away from the industry committee he was thinking largely of the damage to the morale of his employees that could result from operating the plant under an injunction. He made enemies among other steelmen, but he worries less about that than about making enemies of his employees.



74 NATIONAL LABOR RELATIONS ACT

NATIONAL EMERGENCIES

SEC. 206. Whenever in the opinion of the President of the United States, a threatened or actual strike or lock-out affecting an entire industry or a substantial part thereof engaged in trade, commerce, transportation, transmission, or communication among the several States or with foreign nations, or engaged in the production of goods for commerce, will, if permitted to occur or to continue, imperil the national health or safety, he may appoint a board of inquiry to inquire into the issues involved in the dispute and to make a written report to him within

Federal Tr… …ber 16, 1914, as amended (U. S. C. 19, …

…ques of such board.

SEC. 208. (a) Upon receiving a report from a board of inquiry the President may direct the Attorney General to petition any district court of the United States having jurisdiction of the parties to enjoin such strike or lock-out or the continuing thereof, and if the court finds that such threatened or actual strike or lock-out—

(i) affects an entire industry or a substantial part thereof engaged in trade, commerce, transportation, transmission, or communication among the several States or with foreign nations, or engaged in the production of goods for commerce; and

(ii) if permitted to occur or to continue, will imperil the national health or safety, it shall have jurisdiction to enjoin any such strike or lock-out, or the continuing thereof, and to make such other orders as may be appropriate.

(b) In any case the provisions of the Act of March 23, 1932, entitled "An Act to … Judicial Code and to define and … sitting in equity, and for other purposes", shall not be applicable.

STEEL—2

What's a National Emergency?

The Taft-Hartley Act doesn't answer that question precisely; now the steel dispute has put it up to the courts to decide what Congress meant in establishing machinery to halt strikes.

The country had just weathered its worst strike year in January, 1947, when Congress began considering changes in the federal labor law. Walkouts had cost a record 116-million man-days of work—1.3% of all working time—over a 12-month period. Lawmakers on Capitol Hill were concerned and angry.

Rep. Clifford P. Case (R-N.J.), now a senator, expressed the general sentiment:

"Work stoppages no longer can be tolerated where the public health and safety are endangered. The wartime powers of the government, inadequate as they have proved to be, will soon expire. The situation requires that some machinery be provided to take their place . . . The only question is what sort of action should be taken?"

• **T-H Is Born**—House and Senate debated that question for weeks. The answer, in June, was the adoption of the above language in the Taft-Hartley Act. It gave the government a way to step in and check labor disputes having a broad and serious impact on the national health and safety.

It was a compromise language, and it was as controversial then in Congress as it is now in the courts. Some lawmakers wanted it broader in its application, tougher in the way it would be enforced against strikes. Others wanted it more tightly limited in its operation. The definition of what—exactly—constitutes a threat to the national health and safety is vague, partly because of the necessity of compromising the opposed views.

• **Authors' Views**—The sponsors of the Taft-Hartley bills—the late Sen. Robert A. Taft (R-Ohio) and former Rep. Fred A. Hartley, Jr. (R-N.J.)—illustrated the different viewpoints in the long debate. Sen. Taft opposed incorporating injunction procedures in permanent legislation, although he accepted the idea in maneuvers to get Congressional action.

Writing a foreword to Rep. Hartley's 1948 guidebook on Our New National Labor Policy, Sen. Taft outlined what he would have preferred:

"A nationwide strike . . . we hope can be avoided by reason or persuasion . . . When such a strike threatens the health or safety of the nation . . . It should be dealt with by an emergency law giving the government power to step in, call for volunteers, seize the necessary facilities for government operation, seize the union offices and funds, and conduct the operation until reason returns to those responsible for the disaster. Such a law should be

passed for the emergency only, and should not be part of any permanent system of labor-management relations."

• **Hartley Speaks**—Rep. Hartley said in the same book that he himself wanted an outright prohibition against industrywide bargaining—and provisions making an industrywide strike unlawful. In addition, he said, the unions' exemption under antitrust laws should be legislated away.

The Taft and Hartley views were extreme. Most legislators felt that solutions to emergency strike situations should not be worked out at the time of each emergency. There was also general opposition to the kind of legislation proposed by Rep. Hartley.

• **Issues Defined**—The debate narrowed down to a precise issue of what should be considered an "emergency" strike. In time, this came down to a question of whether the words "health and safety" were adequate in the national emergency strike clause. Originally, the wording was broader; the word "interest" was included. During debate, a House member suggested that the word "welfare" be substituted—noting that it is "just as broad . . . and more practical."

Rep. John F. Kennedy (D-Mass.), now Sen. Kennedy, replied in words that may be a key to court decisions on what should be considered Congress' intent in legislating on national emergency strikes:

"The proposal embraces two separate things, health and safety. Because the remedy is drastic, these two, in my opinion, are sufficient. I believe we should apply this remedy when the strike affects health or safety, but not the welfare and interest, which may mean anything."

"I would not interfere with an automobile strike, because while that affects national interest, it does not affect health and safety." This position prevailed, although it led to criticism: ". . . The standards provided . . . as to the type of cases that might affect the national health or safety are inadequate," a Senate minority report protested.

Pres. Truman's veto message raised similar issues, but House and Senate passed the Taft-Hartley bill over his veto. In the dozen years since, the law has been used 17 times—including the current dock and steel strike situations. But, until the steel court test, it had escaped without definitive challenge of the national emergency procedure.

• **Issue Revived**—The current steel dispute is the longest and probably the most complex since the Taft-Hartley Act was written into the federal statute books. It involves a sheer test of power on basic, hard-to-reconcile issues (BW—Oct. 24'59,p28). It has been characterized by little real bargaining.

On Oct. 9, Pres. Eisenhower "very reluctantly" invoked the Taft-Hartley Act. Ten days later, after a board of inquiry reported no progress toward a settlement, the President instructed the Attorney General to go to court for an injunction that would send the steelworkers back into the mills: "In my opinion," he wrote, "this unresolved dispute has resulted in a strike . . . which will, if permitted to continue, imperil the national health and safety."

• **Try for Injunction**—The next day, Oct. 20, the government filed its petition for an injunction in the federal district court in Pittsburgh. It supported its pleas with affidavits from government officials and agencies, all warning that the strike would "imperil the national health and safety" if it continued.

The affidavits cited the swelling strike idleness and its impact on families, on local and state economies, and on the economy generally. They reported dangerously low inventories of steel, and they warned that production schedules for various national defense projects are now affected. The United Steelworkers, through its general counsel, Arthur Goldberg, replied that these arguments do not show the peril to health and safety required by law.

• **USW's Retort**—Goldberg's argument pinpointed the elimination of any reference to public "interest" or "welfare" when the law was passed. Goldberg contended that "health" and "safety" must be interpreted by the courts narrowly, that broad tests—such as the level of employment, high prosperity, and the general welfare—cannot be used to measure when a strike has reached a peril point.

Additionally, Goldberg argued, first before the district court in Pittsburgh and then on appeal to Philadelphia, that a significant threat to health and safety does not result just because a handful of specialized products required for health and safety are unavailable due to a strike. It would be wrong, the union contends, for an injunction to be used against an entire industry to avoid shortages of specialized products made by only a few companies—specifically the particular steel needed for missiles. The President has other ways of getting this steel, the union argues, the Defense Production Act and the Selective Service Act could be used. Generally, the union contends, evidence on the effects of the strike shows that for several months it will not cause a widespread shortage of steel products necessary for health and safety and not related to national defense, or trigger economic paralysis of such magnitude as to create a general shortage of goods and services essential to health and safety.

• **Crucial Points**—The United Steelworkers based its case in the lower courts only in part on the question of whether an emergency situation exists to justify the use of the Taft-Hartley injunction process. It also argued (1) that a decision to issue an injunction is left to the discretion of a court, and that the court would promote a settlement of the dispute by refusing the government's injunction petition; and (2) that the 80-day injunction procedure in the Taft-Hartley Act is unconstitutional.

• **Is It Constitutional?**—This final argument of the union is technical and highly complex, not for laymen. It is the one likely to be given a full-scale review by the U. S. Supreme Court.

The United Steelworkers contends that courts cannot constitutionally exercise the powers conferred on them by the 80-day injunction provisions of the Taft-Hartley Act because (1) the functions conferred are unrelated to "judicial" powers, and (2) the issuance of the injunction is not a step in the litigation of a case.

The union argues that it is unconstitutional to ask a court to use its coercive powers temporarily, as part of an administrative procedure attempting to settle strikes. A court, it contends, does not have the right to create a duty—it can only adjudicate or judge the rights and duties of the parties before it. But, continues the union, under Taft-Hartley the courts are asked to act for the government by issuing an injunction against a strike that is lawful before the injunction, that would be lawful during the 80-day injunction period except for the writ, and that could be lawful again after the injunction expires.

As the union interprets this, the courts are asked to perform a legislative, executive, or administrative act—not a judicial one—when they are asked to enjoin a strike under the Taft-Hartley Act.

• **Court Order**—Judge Herbert P. Sorg of the federal district court in Pittsburgh issued an injunction against the steelworkers' strike on Oct. 21, on the basis of the government's petition and affidavits. He limited his findings to these facts: The proper procedures had been taken and it had been demonstrated to his satisfaction that the strike, "if permitted to continue, will imperil the national health and safety and thereby cause irreparable injury to the United States of America, for which there is no adequate remedy at law."

He did not specifically mention the constitutional arguments.

The union appealed against the injunction, obtained a stay "to preserve the status quo" during further legal arguments. The skirmishing shifted to the Court of Appeals.

• **Challenge**—For four hours, the un-

ion and the government repeated and expanded their arguments before three judges seated at a walnut bench in front of an impressive medallion bearing the Seal of the United States.

Goldberg said the government side was "confused" on the intent of Congress; when they adopted the Taft-Hartley Act, the lawmakers had intended "health and safety" to mean just that. He argued that in other cases in which courts had granted 80-day injunctions—as in atomic energy disputes, coal strikes, shipping, and nonferrous metals shutdowns—there had been no doubt about a threat to national health and safety.

• **Question of Legality**—Asst. Atty. Gen. George Doub replied for the government, and ran into judicial questioning that caused worries to spread from the Philadelphia courtroom south into Washington. The appellate judges wanted to know what specific wrongs had been committed that made the strike subject to an injunction, and at what specific time the duty was imposed on the parties to avoid damaging the national health and safety.

This last question worried government attorneys the most; it could prove crucial before the Supreme Court. It is at the heart of Goldberg's charge that the courts are being asked, unconstitutionally, to impose this "duty" under the Taft-Hartley Act.

Doub replied that the President imposed it when he made his finding that an emergency might result from the steel dispute—first on Oct. 9, again on Oct. 19.

The appellate court also asked whether the government might not be asking the court by a single act to make a conduct unlawful and to prohibit it. Doub answered that the existence of a clear and foreseeable danger provided a valid basis for curbing the lawful right to strike, just as free speech could be abridged to keep people from shouting "Fire" in crowded theaters.

• **Split Decision**—The judges were obviously impressed by the union's arguments. They studied the pros and cons of an injunction over the weekend, while tension mounted. Late Tuesday, they handed down a split decision upholding the injunction. The majority ruled that the national emergency procedure of the Taft-Hartley Act is constitutional and the government had made enough of a demonstration of a potential threat to national health and safety to warrant use of the procedure.

The minority opinion raised no questions about the constitutionality of T-H and the seriousness of the steel strike. But it commented that the true purpose of the emergency strike procedure is to encourage collective bargaining settlements, and that an injunction "would not facilitate and might even make more difficult a negotiated settlement."

The union served quick notice of an appeal to the Supreme Court, and won a stay until next Monday. The government reacted fast: it asked the high court to order USW to file its appeal later this week, not delay further legal moves.

STEEL—3

Weeks of Famine Still Ahead

● Many users have already passed the point of no return, with layoffs and shutdowns spreading.

● Even if the strike were to end overnight, the shortages will stay and the trouble will increase.

● Brokers are already fattening on the "gray" market, but the buyers are ganging up to resist.

In the last few days, hundreds of steel-using manufacturers throughout the country have come to a point of no return. No matter when the steel mills reopen, layoffs and shutdowns in these plants are inevitable. Even those with 30 days' inventory of steel know now they have passed the point where even the quickest reopening of the steel mills could save them from stoppages.

In just about every segment of steel-using industry, it's going to be a bleak Christmas—and even the first half-dozen weeks of 1960 will be harried ones for management. That much was clear at midweek, even though it was still uncertain whether Taft-Hartley or a settlement would reopen the mills and whether there would be peace or a renewal of the steel strike early next year.

"Nobody ever told us it was going to be like this," says a Kansas City manufacturer whose plant has cut back to a four-day week and faces layoffs within a few more weeks. "We don't know what to do with our plans and our programing for next year. There's no telling whether we will have to scrap our program or just make a few adjustments in it, or what." In his indecision and his fears for early 1960 operations, this businessman is echoed by scores of others.

I. Troubles Multiply

The more immediate effects of the steel strike are snowballing rapidly. Unemployment service officials in most major industrial cities say layoffs will leap in number at the end of this week and next week.

• **GM Slash**—Among the biggest contributors to these layoffs is General Motors. The word in Detroit is that GM's operations—except at a few Chevrolet assembly plants—will grind to a halt this weekend. As of Oct. 24, some 115,000 of GM's 320,000 hourly rated employees were furloughed. They added to unemployment rolls all over the map, from Buffalo (8,000 GM employees out of work) to Atlanta (2,800 furloughed). By next week, virtually all GM's hourly workers will have been laid off.

Shortages of many different kinds of steel have caused GM's shutdown. In the absence of any word from GM itself, the best guess is that its assembly lines will be shut down for as long as the steel mills are closed—and for three or four weeks afterwards, since it takes that long to manufacture all components needed for the assembly plants.

• **Rivals Better Off**—The other auto makers remain in better shape. Next month, according to Ward's Automotive Reports, Chrysler will run at 65% of planned volume and Ford, whose own steel mills are working to meet half its needs, at 88% of planned volume. Chrysler has already furloughed about 1,400 workers at its component plants, indicating that shortages will affect its assembly line operations in three to four weeks.

American Motors and Studebaker-Packard apparently have enough steel to keep them going at least for another month.

• **Suppliers Hit**—Dozens of the auto makers' suppliers have been hit by the slowdown on the assembly lines. In Milwaukee, A. O. Smith Corp. will shut down its auto products plant this weekend, idling 3,900 workers. That will boost Milwaukee's strike-caused unem-

ployment from 4,700 last Monday to more than 8,000 next week.

In Louisville, where some production lines at General Electric's Appliance Park have already been halted temporarily, layoffs are scheduled for 3,100 employees this weekend. Nearby, International Harvester's Louisville plant, which earlier this month averted shutdowns by lending steel to some of its component suppliers, estimates it can keep going through next week—"but after that it's anybody's guess," says an IH officer.

• **Scarce Forms**—Steel warehousemen on the West Coast and through the Midwest are almost unanimous in pointing out the most pressing part of the steel shortage. "Anyone who uses sheet steel is in trouble," they say. "And we have about reached the bottom of our supplies of sheet."

But the construction industry—for lack of structural steel—is having just as much trouble as manufacturers. Building projects are held up in every part of the country; highway construction is delayed, and the approach of winter means that much of this cannot be resumed until next spring. Some contractors have substituted prestressed concrete and aluminum for steel in highway bridge structures, but specifications in many states don't permit this.

• **Gray Market**—In most parts of the country there's now a well-developed "gray" market in steel, with brokers asking—and getting—up to three times normal prices for the steel they supply. "This is as rough as anything we had to meet during the Korean War steel shortage," says one manufacturer, who is located in Portland, Ore.

As gray market steel gets scarcer, it passes through the hands of more brokers, each of whom adds his markup. So, in some cities, purchasing agents are banding together for their own protection. In Milwaukee, for example, the Purchasing Agents Assn. has called on its members to list their steel surpluses and their needs. Their lists will be circulated among the group's members in an attempt to set up two- and three-way deals and so beat the gray market.

Costs are climbing for dozens of companies that are keeping production lines going by shipping surplus steel from one division to another. Gulf Oil Co., for example, has had to ship pipe from its inventory in Louisiana to Montana.

• **Imported Steel**—Foreign steel came into the country at a rate of about 100,000 tons a month during the summer, and it is just a little below that now. It's helping some plants to stay open. Continental Can Co., for instance, says its inventory, much of it in foreign steel, will last "well into the fourth quarter." And the peak of the canning season is past.

But most imports are of lower-grade steel or types in lesser demand—wire, reinforcing rods, plate, and some structural steel. For example, foreign steel could never keep the auto makers' plants going, for Western Europe itself depends on U.S. steel mills for much of its automobile sheet steel.

There's no up-to-date estimate of the amount of Canadian steel coming into the U.S. But one Canadian steel warehouseman says: "We've got more American steel buyers crossing the border this week than American tourists." In Buffalo, at least 25 tons of Canadian steel is crossing into the U.S. each day.

But Canada's steel mills can't keep up with their own domestic demand. That's the reason General Motors of Canada will lay off 11,000 of its 30,000 workers next week.

II. How Long a Layoff?

For hundreds of companies, imports, substitutions, and pooling of supplies only postpone, do not avert, an inevitable slowdown.

Carrier Corp., for example, has been pooling steel among its divisions, shipping needed supplies from Syracuse, N. Y., to its plants in California. But last week it posted notices on its plant bulletin boards telling its employees that regardless of when the steel mills reopen, workers could expect some layoffs later this year.

Says Carrier's Vice-Pres. William Lane: "We assume it will be four to six weeks after the mills reopen before we get anything like our normal steel requirements. Our supplies are now very thin. So layoffs appear inevitable."

• **Guess of Months**—How long those layoffs might last, Carrier doesn't say. But on the West Coast, Hyster Co., facing a similar prospect, says: "Even if the steelworkers go back tomorrow, we're going to have shutdowns through the next four months, some caused by our own steel shortages, some by shortages among suppliers."

Scores of businessmen are ready now to make similar forecasts. Says a Milwaukee manufacturer: "The worst part will come in the 30 to 45 days after the strike is over. Everybody will be scrambling for steel then. It's going to be a jungle for a while."

• **No One Immune**—Even companies that entered the strike with an inventory that seemed proof against anything that could happen are facing trouble now. Worthington Corp. foresaw no trouble until a couple of weeks ago. But at midweek Vice-Pres. David Gibson said: "If the steelworkers are back in a couple of days we would squeak through without layoffs. Whatever happens we're going to have plenty of trouble in late December and early next year."

Some manufacturers who still boast of steel enough to last through the end of the year are getting anxious—not because they think the strike will last that long, but because their markets are drying up. A month ago, Joy Mfg. Co. in Pittsburgh thought its production would be slowing down by now because it would lack steel; production has slowed—but only because orders have dropped sharply.

There's one consolation for businessmen who anticipate disruption in their plants and in their plans early next year. Despite a good deal of worried



THE Steel City of Gary, Indiana, where 27,150 steelworkers are on strike and 2,800 other workers are unemployed because of the strike, tried to cheer itself up last week with a "feastival." Half a mile up Broadway from the U.S. Steel plant's smokeless chimneys, 200 of the city's merchants set up a barbecue, fed free beef sandwiches to some 30,000 people to promote "Dollar Day" sales in their stores. The result, the merchants agreed, was that sales were better than recently but weren't so good as in normal times.

talk, there seems to be no danger that the steel mills will have to shut down for lack of ore during the winter.

III. Iron Ore Will Last

The Great Lakes fleet of ore carriers has been idle since the steel strike began. And in carefully worded language, the mills say that even if the ore fleet gets back to work by Nov. 1 stockpiles of Lake Superior ores will probably be about 10-million tons below desired levels when the fleet is forced into winter activity.

"Desired levels" would leave the mills a margin for safety in an emergency and would not require the mills to bring in heavy loads of ore by expensive rail transport, and "Lake Superior ores" are not the only ones available to the mills, though they are the closest. Canadian iron mines have been operating throughout the U. S. steel strike and shipments through the St. Lawrence Seaway mean that ore is piled to capacity at the lower Lake ports.

• **Inconvenience**—For the steel companies themselves, there will be a shortage of ore. But it will be a shortage in the sense that not all the mills will have all the grades of ore they want at all locations and with all the margin for safety they normally have. The mills will use more foreign ore, more ore shipped from Minnesota by rail, and more steel scrap. So far as steel-users are concerned, there'll be no real shortage.

The mills' counter-measures will, of course, add sharply to their costs. But banking furnaces is even more costly to the mills than using premium-priced raw materials. So climbing costs won't force them to close in midwinter.

Nevertheless it's plain now that the strike has lasted long enough to ensure that Christmas and the first half-dozen weeks of 1960 will be a hectic time for steelmakers as well as steelusers.

The Mails Go Through—Electronically

Western Union and Post Office are developing facsimile for sending messages across the country.

It may someday be possible to send anything from a brief social note to an elaborate advertising layout across the country by facsimile—as easily and rapidly as today's telegrams.

Western Union and the Post Office Dept. both revealed plans this week to bring facsimile transmission systems into use. In facsimile transmission, an electronic device scans the printed page and picks up a picture in much the same way as a television camera. This electronic picture is beamed across country by wire or microwave relay and then reproduced on sensitive paper at the other end.

Such systems are already widespread in industry. Western Union, for instance, has 36,000 Desk-Fax units transmitting messages to companies that want telegrams delivered directly to their own communications centers. The Air Force leases for $1-million a year a 60-plus unit network to send weather maps to its bases.

• **Two Schemes**—Western Union plans to make the same type of service available to the general public. On Dec. 1 it will link New York, Washington, Chicago, San Francisco, and Los Angeles into a facsimile network, with other cities to join later as demand grows. It will transmit material needed in a hurry.

The Post Office's plans for facsimile mail leaked out at the annual meeting of the National Assn. of Postmasters in Washington. The department, at work on the project for some time, has actually transmitted mail between Washington and Los Angeles by test equipment, but a completed system is five or more years away. Most of this year's $400,000 budget for exploring "better means of transmission" has gone into facsimile, including a $140,000 contract awarded in July to International Telephone & Telegraph Co.

Ultimately, the Post Office envisions serving two-thirds of the U. S. population with a net based on 178 cities and using American Telephone & Telegraph and perhaps some Western Union lines. Typed or handwritten mail could be sent for no more than the 7¢ per oz. airmail rate; a 30¢ special delivery fee could mean spanning the nation in an hour or two.

• **No Peeking**—One problem is to insure privacy, probably with a scanning machine that can read and print through a sealed envelope. The goal is a speed of 1,800 one-page letters a minute—compared with four minutes to the page now. Western Union has installed a fast facsimile system connecting the House and Senate Office Buildings with its main Washington office at a speed of 3,000 words per minute.

There has been opposition to the Post Office use of facsimile. The rates would be far lower than those charged by Western Union.

If the Post Office successfully puts facsimile into use, the impact could be serious on Western Union's telegram business and on the railroads, airlines, and truckers that now carry the mails.

Inflation Study

Both parties push it in Washington. They want to establish political stands for 1960 campaign.

For three years—since the price rises of 1955-56—officials in Washington have been probing cautiously for a new policy mix designed to stimulate economic growth without inviting inflation.

This week, two studies—one sponsored by Democrats, the other by Republicans—took important steps toward the final phase when firm recommendations will be made and political lines drawn for 1960.

• **Nixon Report**—The Republican study, headed by Vice-Pres. Richard M. Nixon, produced a report on monetary, fiscal, and debt policy. Though it avoids specific issues, it makes a case for overall restraint in times of boom as the best recipe for healthy growth without inflation.

The report argues for greater flexibility in debt management and criticizes Democrats in Congress for refusing to lift the interest ceiling on long-term government bonds. It stresses the usefulness of large budget surpluses in times of prosperity, a line which leading Democrats also began developing in the closing days of this year's Congressional session.

The Nixon report's chief theme is that tight money alone should not be expected to check inflation, that it needs the support of a flexible debt policy and budget surpluses. The ground thus seems laid for an argument that, if anti-inflation weapons are broadened to include debt and budget policy, credit policy need not be so restrictive in the future as it is today.

• **Joint Committee**—Democrats are winding up a long series of hearings by the Joint Economic Committee of Congress into the problems of employment, growth, and price levels. The committee has called 87 experts, most of them academic economists, in an exhaustive examination of the economy and how it is operating.

The experts produced several thousand pages of testimony, much of it critical of current economic policy. Many expressed concern over the rate of U. S. growth compared with Soviet strides and called for revamping U. S. policies in such areas as monetary control, public spending, labor relations, debt management, and taxation. The testimony—much of it conflicting—is being combed by committee members and the committee's professional staff for clues to future policy decisions.

This week's witnesses were asked to

make specific recommendations on how government policy should be directed to obtain growth without inflation. On the whole, it was an uncomfortable week for Chmn. Paul Douglas (D-Ill.) and other Democrats on the committee who have been critical of growth rates.

Of the first four witnesses who testified, three warned against making a fetish of any particular rate of expansion. Richard Musgrave and Fritz Machlup of Johns Hopkins University and Albert G. Hart of Columbia all told the committee that it would be a mistake to gear policy to a forced growth rate.

Hart said that "our understanding of the economics of growth is still primitive." He added that he is "mildly disgusted" by slogans implying we should "eat ambrosia, live in palaces, and have lots of fun on three-day weekends" as an example to the have-not nations of the world.

"The direction and quality of growth are more important than the speed," he added.

• **Inflation Creep**—Machlup got into a dispute with Douglas on several points, particularly on where the blame should be placed for the creeping inflation of recent years. Douglas blames administered pricing of large corporations; Machlup puts the stress on wage increases in excess of productivity gains.

Machlup told the committee there were several effective things Congress could do to halt inflation, such as supporting an extreme tight money policy or lowering tariffs to increase the amount of competition from foreign goods. But he admitted political considerations rule out these methods. He recommended a broad educational campaign in which political leaders would help explain that when wage increases exceed the national average of productivity gains, inflation is the result.

• **Steel, for Example**—"It is not enough to say that a given industry—such as steel—has good profits and therefore can afford to raise wages," Machlup told the committee. He argued that wage increases granted on such a premise spill over in industries where profit margins are not so great and where productivity probably lags behind the averages.

• **More Studies**—With the hearings concluded, the committee will release a series of 24 studies of growth and inflation problems by professional economists, and will follow this by a staff study that contains policy guidelines.

The report of the committee itself is due for delivery to Congress in January. Republicans on the committee, led by Rep. Thomas B. Curtis of Missouri, have not decided whether to prepare a minority report, but one seems likely. Both parties view the hearings and the coming policy recommendations as an important prelude to the '60 campaign.

How British Funds Got In Grand Central Deal

Pledge of $25-million from British firm ends uncertainty over financing huge Grand Central City (right), opens way for final steps in project.

The business of putting up office buildings during the postwar boom has seemed an easy one. To an outsider, it appeared that all a builder had to do was find a lot, grab a few blue-chip companies that wanted to vacate old quarters, and fight off the insurance companies eager to lend him the money on those blue-chip leases. There have been cases when it really was that easy.

One would suppose that a fellow putting up the world's largest commercial office building (bigger: the Pentagon, the Chicago Merchandise Mart) would have a slightly rougher time. A 57-story project of 2.4-million sq. ft. that costs $80-million to $90-million surely looked like a man-sized load for New York real estate man Erwin S. Wolfson (picture).

Last week, Wolfson's job was simplified immeasurably (BW—Oct.24'59, p38). For his proposed Grand Central City (drawing, right), he received assurance of $25-million from a British real estate firm, City Centre Properties, headed by Jack Cotton (bottom picture). This deal put the building adjacent to Grand Central Terminal literally on the tracks.

• **Unique Job**—For Wolfson, as for any other builder, capital is the key that unlocks many locks. A builder usually can get land; he may have to wait or he may have to pay through the nose, but he can get it sooner or later. Modern technology has got the construction process itself down to a routine. Filling up the building can still be reasonably simple. In our growing economy new businesses are constantly born and old ones are expanding. They have to go somewhere. And if a builder signs up enough of them with good credit rating, he can get the mortgage money.

The magnitude of Wolfson's task, however, made the job of obtaining capital unique. Although he had announced his plans as long ago as May, 1958, he had not yet looked for long-term financing. His reason: The longer he waited, the more tenants he would have—improving his mortgage terms both in interest and size.

But in the waiting, there was a handicap. He found it hard to attract tenants because there was doubt, despite his record of building in Manhattan, that he would be able to do what he said. Torn between the sure space offered in other buildings going up and the uncertainty of Wolfson's project, tenants were reluctant to sign with him.

• **Financing**—It was this uncertainty which the Cotton deal dispelled. By taking in Cotton's firm as a 50-50 partner, Wolfson had his and his partners' $5-million equity matched. To the $10-million of equity will be added $20-million in senior securities of the corporation—not secured by any mortgage on the building—which Cotton's firm agreed to take. With $30-million as a starter, Wolfson reduced the mortgage requirements and found his hand strengthened for the eventual mortgage negotiations. One possibility: A British insurance company which has an interest in Cotton's company may take part of the mortgage.

In enabling Wolfson to put the building over, the British obviously had their eyes on the same basic facts that had interested Wolfson in the first place: good location, strong demand.

• **Idea**—Since World War II, Wolfson, alone or with partners, has invested in 10 new office buildings with 2.5-million sq. ft., and his Diesel Construction Co. has built eight for others. And all that time, Wolfson has often shaken his head over the fact that only a six-story building stood on the Waldorf (north) side of Grand Central.

"Here was an area," he says, "that cried for development. You could see a lush period coming up. You could see buildings on inferior streets coming up. And you knew Park Avenue has to become the best office street in the country."

In 1954, during the proxy fight for control of the New York Central RR, Wolfson first advanced his ideas for building on the 132,000-sq. ft. site. The New York Central owned the property but the division of the income was disputed by the New York, New Haven & Hartford RR. (The New Haven was granted a share when it came into Grand Central.) On Apr. 22, Wolfson wrote the late Robert R. Young, who was then fighting to win control of the Central, that the railroad owned valuable real estate on Park Avenue that shouldn't be idle.

Wolfson had known Young from Diesel Construction's work for Young's Pathe Laboratories. To beef up his argument, Wolfson brought in two mutual friends—Herbert and Stuart





SIX-STORY office building now behind Grand Central Terminal made no sense to real estate man Erwin S. Wolfson (below).

BIGGEST commercial office building, 57 stories with 2.4-million sq. ft., will rise on the valuable site with aid of British money.

Scheftel, whose numerous operations had included Telenews Productions, which used Pathe for some processing.

• **First Plans**—When Young took control of the railroad in June, 1954, he sent for Wolfson and the Scheftels. Their plans for a building never got very far, however. For in 1955 Young engaged William Zeckendorf as real estate consultant. Zeckendorf proposed an even more elaborate project. But neither his nor Wolfson's got anywhere.

In January, 1958, the idea was revived when a large company approached Stuart Scheftel for space in the new building without being aware the building was dead. Scheftel decided to resurrect it, talked to Young. Young was interested, sent Scheftel to the railroad's real estate man to work out a deal.

Even though Young shot himself two days later, the proposal stayed alive. Convinced that the railroad was interested and that Zeckendorf would not be able to veto it again, Scheftel brought Wolfson back. On May 5, 1958 they agreed with the New York Central and the New Haven to lease the land for 80 years at $1.1-million yearly.

• **Design**—For the design, Wolfson hired the firm of Emery Roth & Sons—plus Harvard's Walter Gropius and Massachusetts Institute of Technology's Pietro Belluschi. He had in mind a 45-story building of 2.5-million sq. ft. They finally agreed on 57 stories, 2.4-million sq. ft. Wolfson, though aware that bulk construction is cheaper than a tower design, went along because of the prestige the building could win.

• **Unworried**—Despite the building's enormous size, Wolfson insists he is unconcerned over the market for office space. "I've been in the market every day, as an investor or as a builder," he said. "I know there is still a market among great corporations. There are many who require 300,000 or 400,000 sq. ft."

Actually, this year's survey by the New York Real Estate Board showed a vacancy in rental office space in Manhattan of only 2.5%, despite the post-war addition of 45-million sq. ft. In the Grand Central area, it was only 1.8%.

• **Deal**—The British money fell into Wolfson's lap. About Aug. 1, he had a caller in the person of Redvers Opie, a director of City Centre, which was seeking U.S. investment opportunities.

Wolfson was already leaning to the view that he and his partners might have to take in other partners. So he flew with Opie to London to meet Cotton and Geoffrey King, chairman of Pearl Assurance Co., Ltd., one of Britain's largest insurance companies, which had an interest in City Centre. After dinner, Wolfson and Cotton signed their agreement.

The deal was not announced until last week. One factor that held up disclosure was the British election of Oct. 8. When the Conservatives won, confidence in the pound was strengthened. Both the British Treasury and the Bank of England approved the deal.

• **Confident**—Even though Wolfson has letters of intent for only 500,000 sq. ft. of space, he sees no delay now. He even was sufficiently confident to reject a proposal for 300,000 sq. ft. at too low a rental. (His scale: $5.50 to $9 per sq. ft.) Wolfson plans to start razing six-story building on the site in March, complete the new one in 1962.



ORIGINATOR—Erwin S. Wolfson has been pushing idea of Grand Central City.



INVESTOR—Jack Cotton, head of British real estate firm, wanted U.S. investments.

Who Runs What in Missiles and Space

PROJECTS	ARMY	NAVY	AIR FORCE	NASA
Intermediate-range missiles (1,500 miles)	Jupiter development completed — project transferred to Air Force.	Polaris in development — to be operational in 1960 or 1961.	Jupiter and Thor in production.	
Intercontinental missiles			Atlas in production. Titan in late development. Minuteman in early development.	
Anti-missile missiles	Nike Zeus in development, close to production if O.K.'d.			
Earth satellites	Notus communications satellite in early development.	Transit navigation satellite in early development.	Midas early-warning satellite in early development. Samos reconnaissance satellite — first firing next month.	Communications, weather, and research satellites under development for use with various engines.
Manned space probes			Dyna-Soar, a manned orbiting vehicle — in study stage. X-15, hypersonic high-altitude research plane — in flight test.	Project Mercury, to place a manned capsule in orbit — pilots in training.
Developing vehicles for space and orbit shots				Vega (400,000-lb. thrust) to be tested late 1960. Centaur (600,000 lb. plus) to be tested 1961. Scout (solid-fueled workhorse rocket) to be ready in two years. Saturn (1.5-million lb.) transferred from Army. Nova (1.6-million lb. plus) to be tested 1965.

Space: Still Too Many Bosses?

Pres. Eisenhower took the U.S. space program past another crossroads last week with his plan to switch the Army's famed space laboratory at Redstone Arsenal, Huntsville, Ala., to the National Aeronautics & Space Administration.

The switch represents the Administration's latest move to establish who's in charge of what in the race with the Russians for space. What Eisenhower did increases the role of NASA's administrator, T. Keith Glennan, former head of Case Institute of Technology, as the key man.

• **NASA's Realm**—NASA now has indisputable control over rocket shots to the moon, deep space probes, design and development of a wide range of nonmilitary earth satellites and specially instrumented lunar and interplanetary payloads, and development of the super rocket boosters needed to launch these vehicles.

For NASA, this means authority over the money that will be spent on strictly scientific space exploration in the near future.

But as the space program shapes up now, there is still a sharp division between military and civilian space projects (chart). It is this division that upsets critics of the program—notably in Congress.

• **Military Interests**—Despite the latest switch involving Huntsville, the military end of space remains substantial. Military interest in space encompasses projects for sending manned vehicles beyond the atmosphere; satellites to widen communications between land bases and aircraft in flight or ships at sea; space vehicles to detect ballistic missiles and peer down on enemy territory.

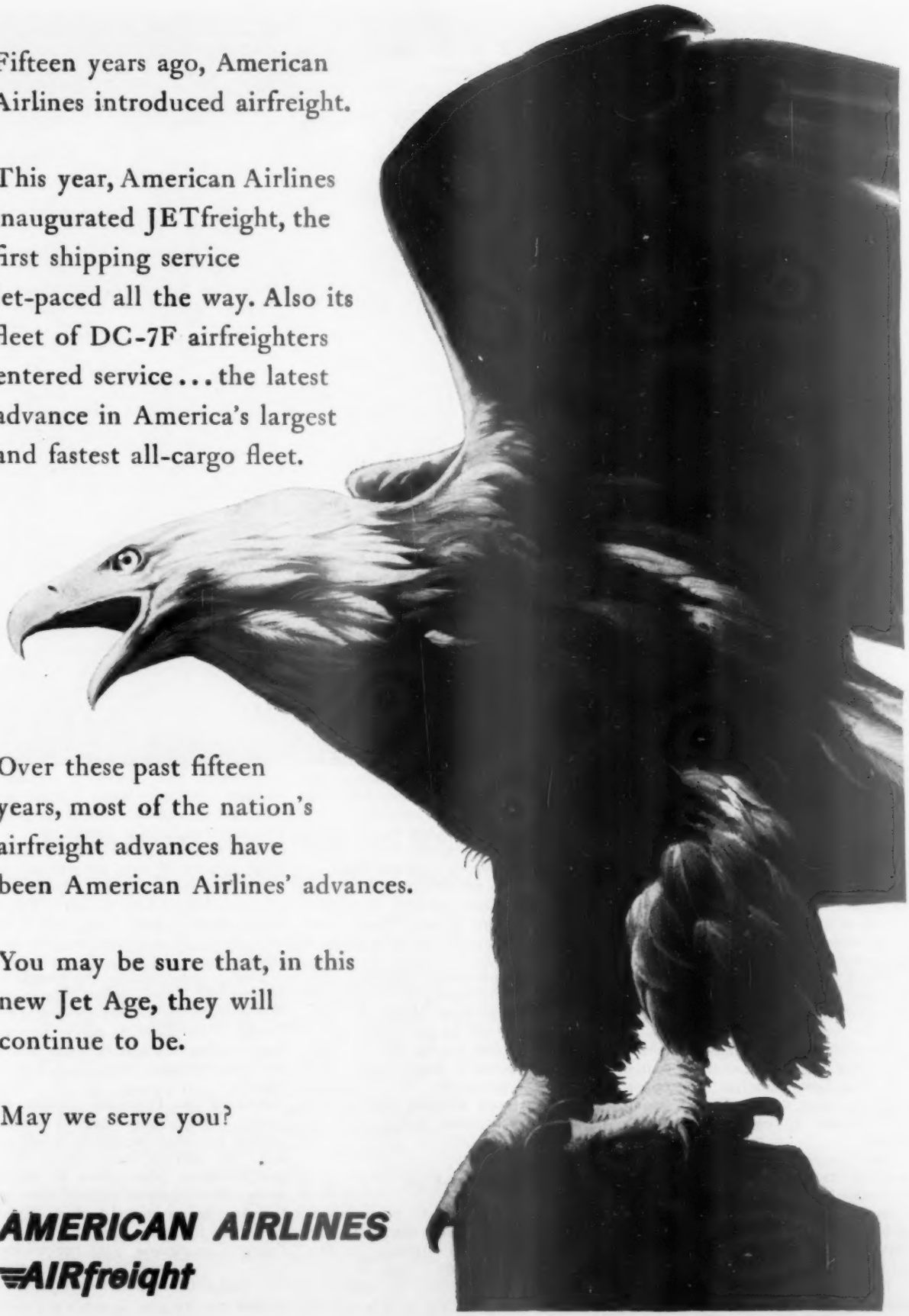
I. U.S. and the Russians

In space, the Russians have had at least a five-year start. It's conceivable that we will never catch up.

In the purely military aspects of space—the development of ICBMs—we are on a par. We both have usable

Fifteen years ago, American Airlines introduced airfreight.

This year, American Airlines inaugurated JETfreight, the first shipping service jet-paced all the way. Also its fleet of DC-7F airfreighters entered service... the latest advance in America's largest and fastest all-cargo fleet.



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missiles. As a result of its head start, Russia has far more advanced propulsion systems—including a rocket engine producing at least 600,000 lb. of thrust, compared to the 360,000 lb. of the Atlas ICBM. But the smaller rocket is all that's needed to fulfill the military mission of propelling an ocean-spanning missile.

The greater rocket power, however does provide Russia with an overwhelming lead in scientific exploration of space and the political-psychological fruits of such achievements.

How and when do we catch up? No one really knows. As a result of the latest Russian moon shots, many U.S. spacemen have shed some of their optimism about our superiority in the electronic fields of guidance, instrumentation, miniaturization, and reliability—a superiority that they had hoped might ultimately offset the Russian lead in the sheer power of rocket propulsion.

• **"Orderly" Pursuits**—But when Congress digs into the space program next year, it's not going to find a great deal of the urgency that critics keep talking about.

In setting a course to overhaul the Russians in space, NASA is laying out an orderly schedule of successively bigger rockets to fire successively heavier satellites into earth orbits and successively heavier vehicles into lunar and interplanetary space. The emphasis is on "orderly." And this is pretty weak tea for those who passionately believe that some kind of crash effort is needed to catch up.

II. The Sore Points

One reason for the current state of our space effort is this: Neither the Democrats nor the Republicans have a crystal-clear record on space.

The Truman Administration's record in 1945-1952 doesn't shine in retrospect—and this was one of the crucial periods when the Russians were going ahead with development of their big space engines.

The Eisenhower record since 1952 has been largely geared to keeping military spending down in an effort to balance the federal budget.

The Eisenhower Administration now thinks it is going ahead at the optimum rate. The Democrats had their opportunity to object during the last session—and wound up cutting the NASA budget.

The Administration's distinction between military and civilian space infuriates some political and scientific critics of the Administration's program. They see in it a threat to coordination of the over-all space effort and to development and operation of such common facilities as tracking systems, instrumentation, launching pads, and the like, which figure in both military and civilian projects.

• **Different Requirements**—There are important differences between military and scientific space requirements. The Pentagon, for instance, wants to scale down the size of its ICBMs and IRBMs to improve reliability and to simplify supply and maintenance of these strategic weapons. NASA, on the contrary, needs ever-bigger rockets to explore the outer reaches of space.

That does not represent a conflict. When and if there are defense needs for such big boosters, NASA will provide them to the military—just as the military is now providing the smaller, more primitive rockets for NASA's initial space probes.

But there are obvious potential conflicts. In the Air Force, space extremists are still plumping for exotic, long-range plans envisioning missile-launching stations in space, military bases on the moon, and such—schemes that most experts in NASA consider wild-eyed at this stage of the game.

Projects such as these, and military satellites more advanced than the four now in development, would require rockets far more powerful than the Atlas and Titan ICBMs now planned for launching the military systems.

• **Areas of Conflict**—A renewal of interagency rocket competition—with its attendant wasteful duplication—could occur in this area. For many military men believe NASA isn't pushing its super booster program fast enough.

There are other potential Pentagon-NASA clashes in such areas as manned space flight and communications satellites—both of which have civilian as well as military potential. Right now, the Air Force's Dyna-Soar spacecraft project rates far lower priority than NASA's manned orbiting capsule, Project Mercury. Both aim for manned flight in space although one military man points out that the maneuverable Dyna-Soar spacecraft would be as different from the Mercury capsule "as an airplane is from a parachute."

In communications satellites, the military also is aiming at a more-advanced system than NASA is. The Army's Notus will be an "active" satellite carrying aloft sending and receiving apparatus. NASA's project is a "passive" system—simply an inflatable sphere, without airborne equipment, against which radio waves will be bounced.

III. More Shake-Ups

Against this backdrop of potential duplication and of what the critics still consider "a lack of urgency" in the program, Congress isn't likely to press for a massive spurt in U.S. spending on space.

This year's space program runs at about $800-million—some $500-million for NASA, the remainder for the Pentagon. The outlook for next year is for a budget of about $1.3-billion. NASA's share will be at least $750-million. This is the sum Glennan has said he would need in fiscal 1961. But he made this estimate before the plan was approved for NASA to take over the Army's Huntsville laboratory and the Saturn super booster project. Saturn's budget alone amounts to about $70-million this year, and it will probably be doubled next year.

• **Central Control**—Congressional efforts to bolster the space program will center on the question of stronger central control. Lyndon B. Johnson, the Senate majority leader and chairman of its space committee, for one, is dissatisfied that the military and civilian ends of the program are directed independently of each other.

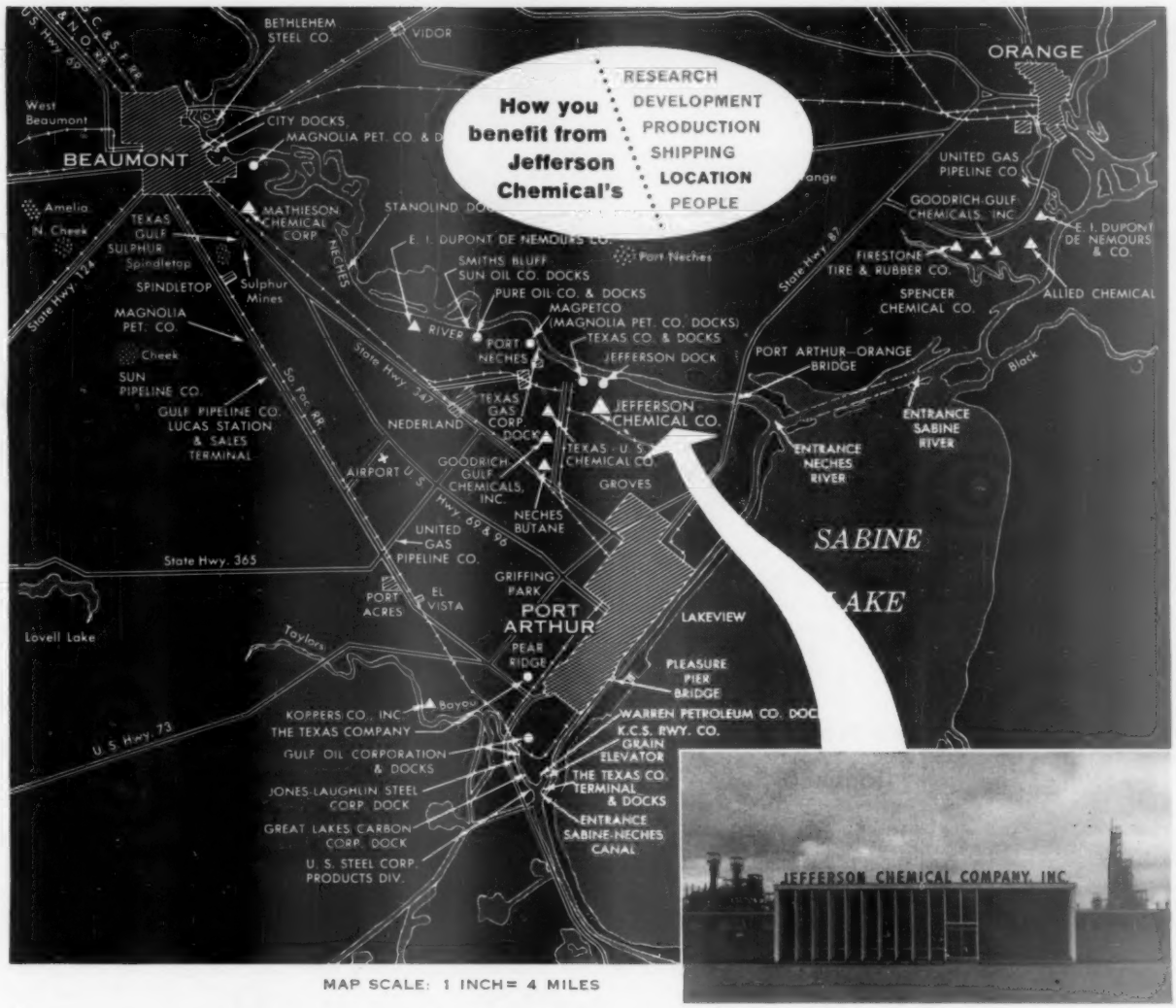
Contact between the two is represented by a "civilian and military liaison committee" consisting of NASA and Defense Dept. officials. William Holaday, a one-time oil industry scientist who was formerly the Pentagon's guided missile director, heads the committee. He has no decision-making powers, acts mainly as a clearinghouse for space information between the two agencies. He's charged also with the chore of sorting out policy disagreements and passing them to higher levels for resolution.

• **Full-Time Boss**—Johnson and other critics want a full-time executive with the power to pull the strings on both ends of the program. Last year's space act, which put NASA in business, created a National Space Council and provided for appointment of an executive secretary for the council.

The council, headed by the President, consists of eight government department heads and private experts. The group is charged with the job of formulating national space policy, but it has met only seven times in the past year.

One proposal making the rounds on Capitol Hill is for selection of an executive secretary for the council—a post the President has failed to fill so far—and for providing him with clear-cut authority to be top man on the over-all space effort.

• **Out of the Pentagon**—A more extreme, longer-range scheme being pushed by some lawmakers would remove the military space projects from the Pentagon, place them in NASA along with uniformed military observers to act as liaison men. In effect, NASA would be for space what the Atomic Energy Commission is in the nuclear field—an arrangement that hasn't noticeably hampered military exploitation of nuclear power.



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169

In Business

• • •

Valiant Joins Compact Race, at Price Just Above Corvair, Well Over Falcon

Chrysler's compact Valiant went on sale this week at prices a shade higher than Chevrolet's Corvair. Thus Ford dealers retain a substantial price advantage in selling the Falcon, the other Big Three entry in the compact field.

The four-door Valiant sedan has factory list prices of $1,874 for the V-100 and $1,946 for the V-200. The cheapest four-door Corvair is factory listed at $1,860, the cheapest Falcon four-door at $1,803. Falcon has a two-door model listed at $1,746; the Corvair two-door isn't due until late January.

As for the four-door Valiant, its retail price tag including federal taxes and dealer charges will be around $2,050. Late in November, **Valiant will offer a four-door station wagon priced about $275 above the sedans.**

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Congress Probe of Quiz Programs To Resume; Fireworks Continue

Television's pot was still boiling as the special House subcommittee on legislative oversight prepared to reopen hearings on quiz programs next week. The latest developments were:

• **A businessman urged advertisers to keep their hands off programs.** Coty, Inc.'s Pres. Philip Cortney, in newspaper ads and in a speech, blamed sponsors for rigged shows. He specified quiz shows, one of which—the $64,000 Question, a focus of the House probe—was sponsored at the peak of its popularity by Revlon, Inc., a Coty competitor. Cortney plans to press his campaign; his company uses TV, but only for spot ads.

• Edward R. Murrow, top CBS newscaster now on leave, publicly chided Dr. Frank Stanton, CBS president, for Stanton's charge that the Person-to-Person program created an illusion of spontaniety. **Stanton has said that CBS will eliminate illusions—including canned laughter—from as many programs as possible.**

• • •

Congress Group Orders Wide Probe Of U.S. World Role in Peaceful Atom

U.S. participation in planning for the international development of the peaceful atom will be the object of a broad survey ordered by the Congressional Joint Committee on Atomic Energy. Robert McKinney, editor and publisher of the Santa Fe New Mexican will head the investigation, aided by personnel from the Atomic Energy Commission, the State Dept., and JCAE.

The failure of the Euratom program to get off the ground was a prime cause of the new survey. To date, Euratom has received only two firm proposals from European companies for cooperative construction of large nuclear power plants. And one of these proposals was wide of the intended mark.

• • •

Synthetic Penicillin Due on Market; Maker Claims It's Stronger, Safer

The first synthetic penicillin will be available to doctors within two weeks, after several years of intensive research by Bristol Laboratories, Inc. Called Syncillin, it is said to be twice as potent as the best mold-grown penicillins, to produce few allergic reactions, and to control some germs that now resist the older penicillins.

At first, it will probably cost more to produce Syncillin—and the hundreds of other synthetics being tested—than the natural forms. The penicillin molecule is fairly simple, but building it in a test tube is tricky business (BW—Mar.23'57,p124). MIT's Dr. John C. Sheehan likens the final step of the synthesis to balancing an anvil on a house of cards.

• • •

All Three Big U.S. Producers Lop 5% Off Prices of 60,000-Kw. Generators

Price cuts of 5% on generators rated at 60,000 kw. and up have been announced by all three major U.S. producers. General Electric Co. made the first announcement, and was quickly followed by Westinghouse and Allis-Chalmers.

Trade sources said the cuts—the second this year—were simply public acknowledgement of prices that have been quoted privately for some time. Until recently, the generator business has been slow, but the industry now reports that orders are running substantially ahead of last year's exceptionally poor figures.

• • •

Bell & Howell Plans to Merge With Consolidated Electrodynamics

If stockholders of both companies approve, **Bell & Howell Co.**, Chicago maker of photographic equipment, will merge with Pasadena's **Consolidated Electrodynamics Corp.**, which last year sold $32-million worth of assorted electronics equipment.

General Mills, Inc., is acquiring Magnaflux Corp., which specializes in testing and inspection equipment. Magnaflux will be operated as a separate subsidiary under its own name.

Cascade Natural Gas Corp., of Seattle, has arranged to acquire **Eastern Oregon Natural Gas Co.** via a share-for-share exchange of stock. The merger is subject to stockholder approval.



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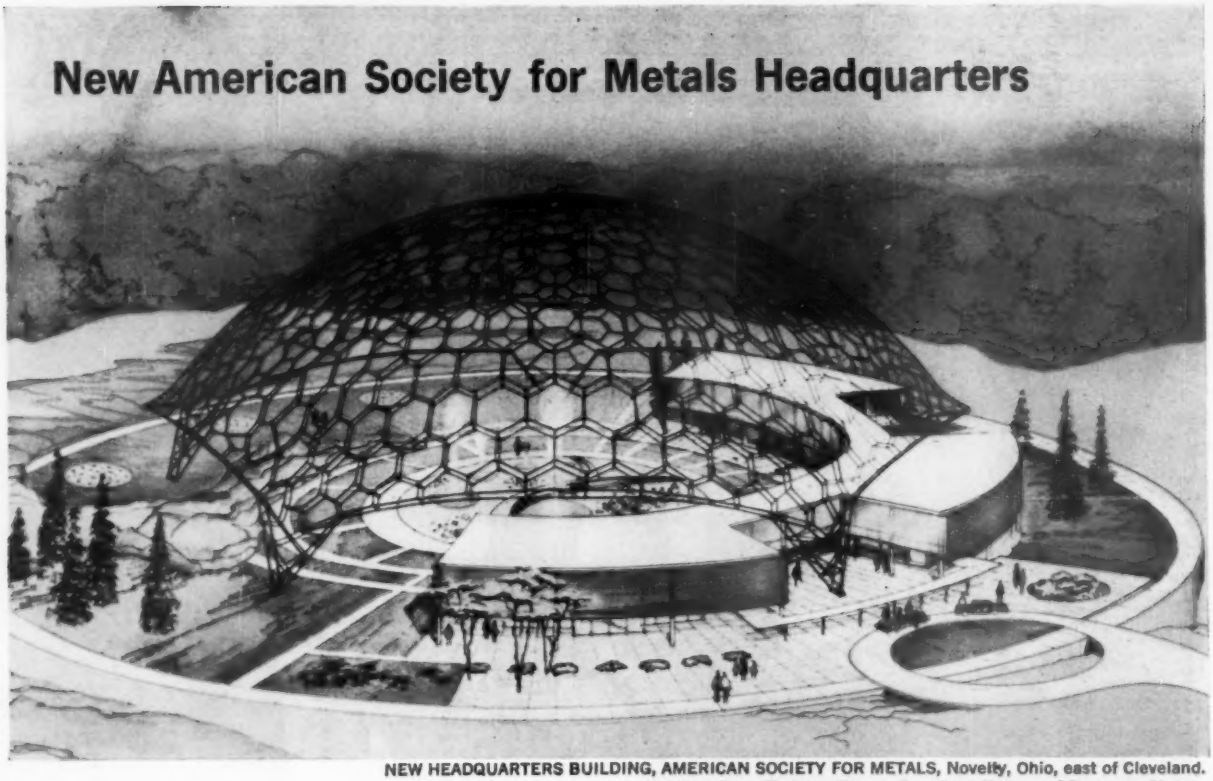


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WASHINGTON OUTLOOK

WASHINGTON BUREAU
OCT. 31, 1959



Washington's view of the business trend takes on a rosier hue. Government forecasters now see a longer and more powerful upswing than they expected a few months back.

A steady climb all through 1960 is expected. The steel strike is the reason for the changed picture. The reasoning here is that it puts the brakes on expansion this year but extends the life of the present boom.

The Administration's first look-ahead for the coming year will be unveiled in mid-November at the annual economic conference of the Dept. of Agriculture. Eisenhower's major messages to Congress next January—the budget, the State of the Union, and the economic report—will be based on essentially the same outlook.

Key ingredient of the forecast: A gross national product for this year averaging out at about $480-billion, a rise to $505-billion or so in GNP for 1960. Moreover, the expectation is that 1960 will end on a rising trend, giving 1961 a good start.

Political implications of this prospect cheer the Republicans. If the forecast is sound, it means the 1960 Presidential election will be held in an aura of national prosperity. In 1954 and again in 1958, the GOP had to campaign during periods of widespread concern about the economy.

—•—

Internal dissension puts a strain on the AFL-CIO. Not all the evidence is in, but the feeling is growing in Washington that the federation may be heading toward an organic crisis.

Old animosities between industrial and craft unions flare anew. It amounts to renewal of rivalries that were supposed to have been buried—but were not—when the AFL and the CIO merged. Ex-CIO officials complain that they are getting raw deals from Federation Pres. George Meany, an old AFL hand himself, in settlement of jurisdictional disputes.

The Oil, Chemical & Atomic Workers Union threatens to secede. This former CIO affiliate is up in arms about Meany's decision that craft unions are entitled to jurisdiction over major maintenance and repair projects in atomic, chemical, and petroleum plants.

Clues on the depth and severity of the split in big labor should come very quickly now.

Auto Workers Pres. Walter Reuther is a man to watch. He is head of AFL-CIO's Industrial Union Dept., representing 7-million former CIO unionists, which holds its annual convention in Washington Nov. 9-10. The oil union's protest is high on the agenda. It should spark the strongest show yet of anti-Meany, anti-AFL sentiment—unless Reuther and his key lieutenants from the old CIO feel there is more to be gained by a demonstration of labor solidarity at this critical time.

—•—

A new element in the running inquiry on pricing practices begins to show on the horizon. This element is public emotion.

Sen. Estes Kefauver's pending study of drug prices has produced a heavy flow of public mail. Most of it is of the "widow and orphan" variety, complaining about the high cost of medicines. By the standard of public response,

WASHINGTON BUREAU
OCT. 31, 1959

the buildup far outstrips Kefauver's preceding investigations of so-called administered pricing in autos and steel.

The concern of business is that the drug industry investigation, which reaches the public hearing stage in December, may provide a potent stimulant for demands for some sort of federal intervention. Kefauver himself has thus far shied away from commitment to a legislative goal in this area.

—•—

The "Nixon Committee" on racial discrimination in employment seeks broader powers. The group's proper name is the President's Committee on Government Contracts, but it is more familiarly known as the Nixon Committee—after Vice-Pres. Richard M. Nixon, its chairman.

Its new goal: authority to push for anti-discriminatory hiring practices wherever federal money is directly involved. The proposal, still in draft form, is broad enough to cover all federal grants or subsidies either to states or to private organizations. Heretofore, the committee has concerned itself only with employment practices of government contractors. Nixon's already high standing with minority groups figures to be enhanced.

Several new key staff members have been hired by Nixon as the committee prepares to step up its activities. Chief of them is Irving Ferman, former Washington representative of the American Civil Liberties Union, who has taken over as executive director of the staff.

—•—

Some liberalization of social security is likely in 1960. This has become a standard Congressional gambit in election years.

One good bet: raising from $1,200, the present limit, to $2,400 the amount of earned income that social security annuitants may receive in one year without incurring deductions in federal payments. This probably will have fairly solid bipartisan backing.

Democrats in Congress will try to do more, but the cost factor alone will doom most of their proposals. Both cost and organized medicine's violent opposition almost certainly will prevent passage of one of the major Democratic proposals—to raise the social security tax to finance free medical insurance for the aged.

—•—

Look for a critical study of the U. S. atomic power program.

The Russians have caught up. This is the import of both the public and private reports of U. S. experts—headed by Atomic Energy Commission Chmn. John A. McCone—just back from a close look at Russia.

The issue is power development and basic research, not weapons. The general impression is that the U. S. stockpile of atomic weapons is bigger than that of the Soviets. What McCone and the other touring U. S. experts found is a situation in which the Soviets have closed the gap in atomic technology for power generation and show great vitality in research.

Democrats in Congress will leap on this situation. Democrats on the Joint Atomic Energy Commission fought a running battle for years with McCone's predecessor, Lewis Strauss, about the need for greater U. S. efforts in this field. Now the Democratic strategy will be to link up the U. S. atomic power position with the embarrassing lag in space.

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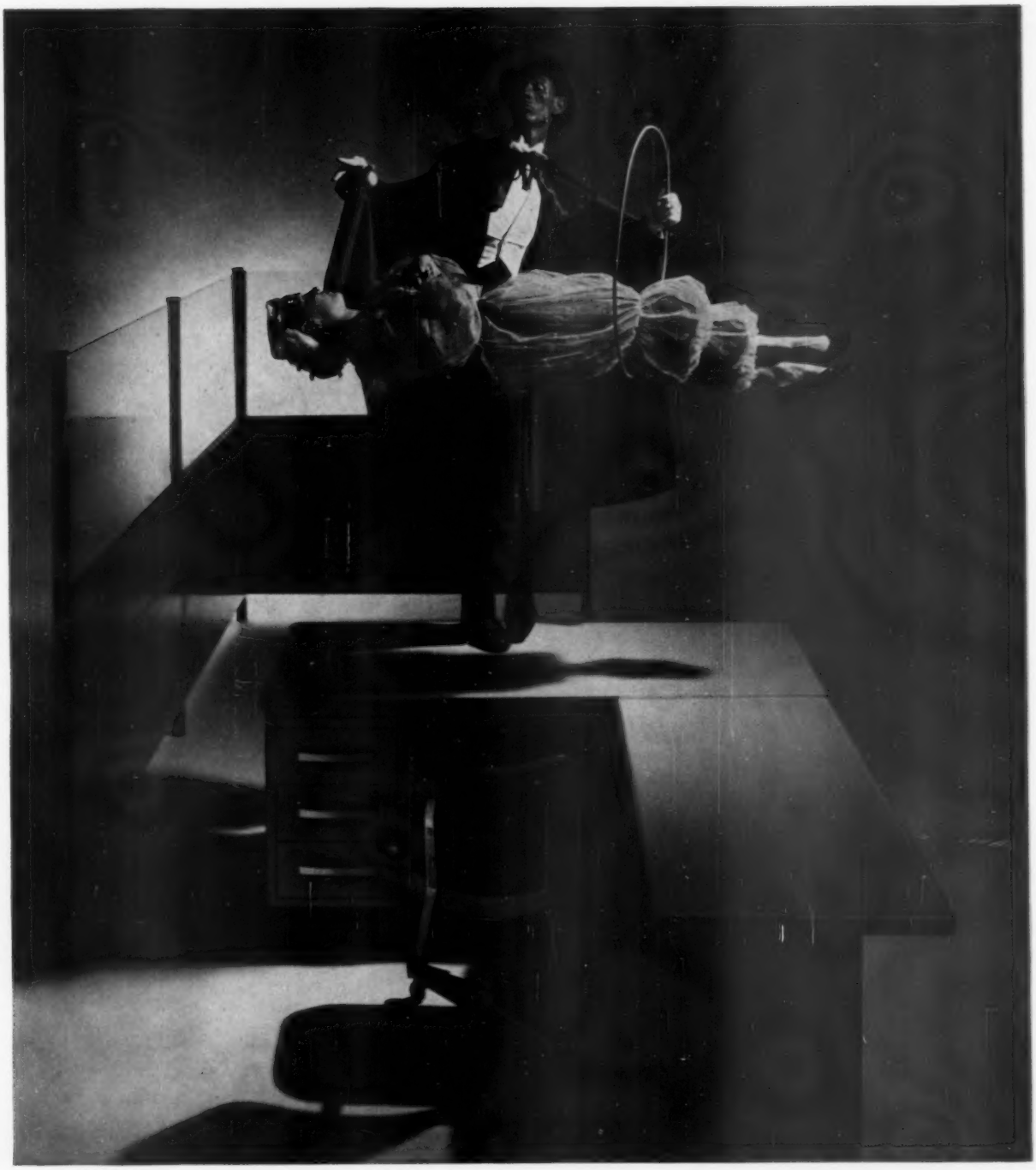
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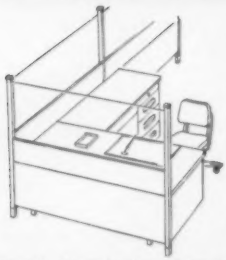
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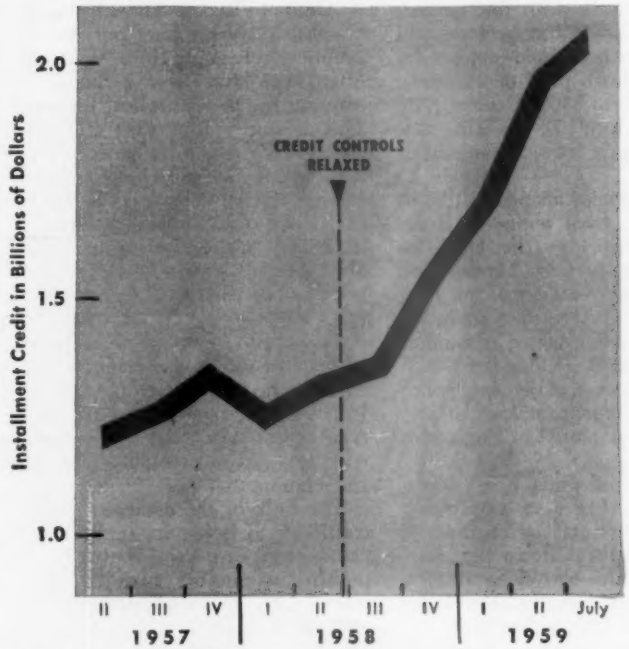
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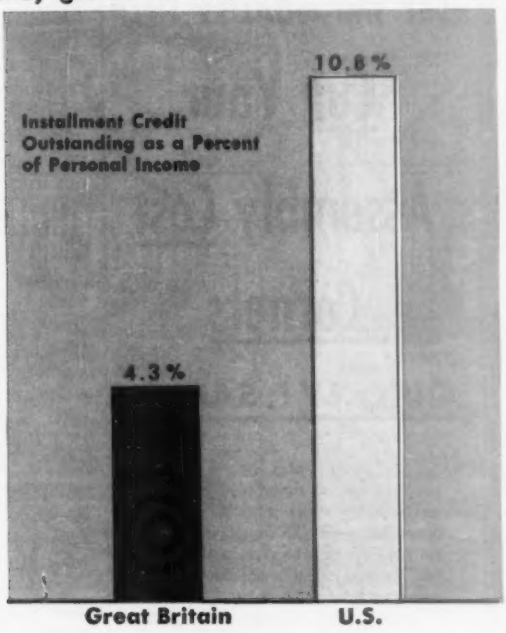
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In Britain: New Potential for Consumer Credit

Britishers began buying heavily on the cuff — as soon as controls came off . . .



. . . And credit can expand a lot before they get as far into hock as Americans



Data: Federal Reserve Board; British Information Service.

©BUSINESS WEEK

U.S. Lender Seeks to Cash In

Beneficial Finance Co., second largest in U. S. consumer finance, to open London office soon. It hopes to reap bigger profits in Britain than in the U. S.—it can borrow more cheaply from banks, charge its own customers higher rates.

On or about the first of December, there'll be something new in the old city of London. That's the date when Beneficial Finance Co., the second biggest U. S. "consumer finance" (small loan) company, plans to open an office in a busy shopping area. Beneficial will be the first U. S. loan company to try to crack the booming British market for consumer credit (charts). If it succeeds, other U. S. companies, which have been watching British developments closely, are likely to follow.

It's easy to see from the charts why Beneficial has crossed the Atlantic. A year ago last July, the Macmillan government relaxed stringent controls over consumer credit. This precipitated a general rush by Britons to put their new found prosperity on the cuff. Not only were the gates to consumer credit opened but, for the first time since the war, consumer durables—which are the source of most buying on the installment plan—were available in quantity.

• **Room to Grow**—Outstanding "hire-purchase" debt—the British term for sales financing—has about doubled since the controls came off, yet there's still a tremendous potential for further expansion of consumer credit in Britain.

As the chart shows, installment credit as a percentage of disposable personal income—most commonly used as a measure of consumer ability to go into debt—is much lower in the U. K. than it is in the U. S.: It's 4.3%, compared with about 10.8% here. Moreover, only about 25% of all autos are bought on time in Britain, while 64% in the U. S. are financed.

• **Competition**—While there's obviously an opportunity for rich profits in British consumer credit, it's also an intensely competitive field. There are about 1,250 finance companies in Britain today. Of this number, the 12 largest hold about 70% of outstanding hire-purchase debt, the next 12 hold another 5% or so, with the balance scattered among more than 1,000 small "private" finance houses. These private companies most often are directly controlled by small retail stores; they frequently sell their installment notes receivable in blocks to the "big 12."

• **Starting Small**—Beneficial recognizes that it's going to be tough to break into a market where older concerns are firmly entrenched. Robert A. Tucker, Beneficial vice-president, emphasizes that the company's new London office is a pilot operation, designed to test how American credit operations will work in the British market. "We're going to feel our way," he says.

At Beneficial's new London office, customers will be able to borrow cash directly as well as to arrange financing for purchases of consumer durables. This will be something of an innovation in Britain where the hire-purchase houses don't normally make cash loans. Instead, there are hundreds of small independent cash lenders scattered through the British Isles; their business is only a fraction of that done by the big hire-purchase houses.

There aren't any statistics on the total amount of cash loans outstanding, but

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one of the largest firms in the field reportedly has no more than $850,000 out on loan. Beneficial, by contrast, has total outstanding receivables of about $500-million.

• **Sales Finance**—In the beginning, though cash loans will be pushed, Tucker says most of the business will be financing of household appliances, especially those with price tags running from about $200 to $500. Generally, he adds, Beneficial won't be financing new automobiles, which, he says, "are out of our line."

This stress on sales finance will be in contrast to the usual policy at Beneficial's 1,200 offices in the U.S.—including Alaska and Hawaii—and Canada. Here, over 95% of all the company's outstanding receivables are in the form of small cash loans to consumers—at present the average loan is $370.

Beneficial denies making any policy shift. For the moment, at least, it says that the market potential in England is in sales financing.

"There's a lot of difference," says a Beneficial man, "between borrowing cash and buying something on time. It took 50 years to break down the social stigma attached to borrowing from a loan company in America; I hope it doesn't take that long in England."

• **Making It Respectable**—A big factor in breaking down traditional resistance of the British to go into debt, even on an installment purchase basis, was the move of the five giant London "clearing banks"—that hold about 75% of the nation's bank deposits—into the consumer credit field last year when the controls came off (BW—Sep.6'58,p86). They chose two ways to do this:

• They bought substantial equity interests in hire-purchase houses. Barclays Bank, for example, bought a 25% interest in United Dominions Trust, the largest hire-purchase outfit.

• Three of them went directly into consumer credit by starting personal loan services. It's this move that put the stamp of respectability on borrowing for many Britons. "Since the banks got into lending," says one Londoner, "borrowing has become part of the normal pattern of living, though you still do get letters published in the London Times deploring the tendency of people to spend money 'that isn't their own.'"

• **Credit Charges**—Personal loans from the banks, however, can't be compared with borrowing from the British loan companies. For one thing, while the banks typically charge an effective interest rate of about 9½% on their consumer loans, the loan companies run their charges as high as 4% a month on the unpaid balance. That works out to about 48% a year.

Beneficial hasn't made a final decision yet, but it expects that its charges on cash loans will be closer to 3% than 4% a month. Rates on sales finance contracts, Beneficial says, will be "competitive," which means they could be as high as an effective annual rate of about 25%.

• **Ability to Repay**—Though the British blue-collar worker may not doubt the propriety of going into debt, he is often kept away from a finance company by the meagerness of his income. This is one reason why CIT Financial Corp., which operated in England in the 1920s before foreign exchange difficulties forced it to leave, has not gone back since the war.

"There are simply too many people in England," says a company spokesman, "who can't afford regular monthly payments."

• **Beneficial Growth**—Beneficial's move into the British market is typical of its diversified expansion in recent years. It has been opening new offices at a rapid pace—more than 60 so far this year—and it has expanded into Alaska and Hawaii.

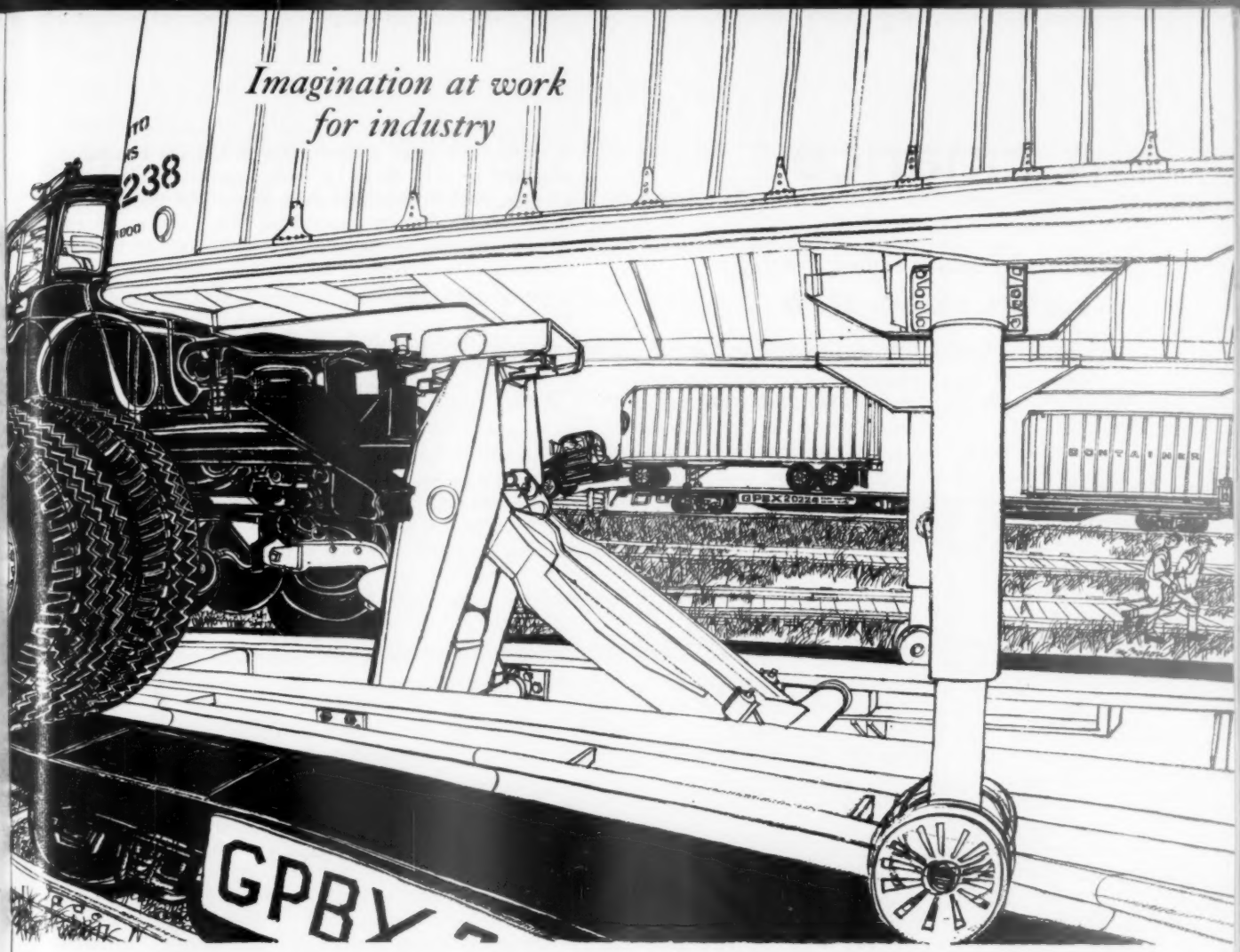
The bulk of the company's business continues to be in its traditional specialty—small cash loans—but it has been pushing a number of other finance plans. The most important of these is the "fly now—pay later" plan that it developed about five years ago with Pan American World Airways. More recently it moved farther afield with a new subsidiary that finances leased office equipment and computers.

These diversification moves have helped improve Beneficial's profits, which currently are the highest in the small loan field. In profits, Beneficial has moved ahead of its somewhat larger rival, Household Finance Corp. That's chiefly because it curtailed its operations in Canada after the Canadian parliament reduced rates on small loans.

Beneficial closed 22 of its Canadian offices and stopped entirely making certain classes of loans that were unprofitable in Canada. Household, in contrast, kept its Canadian offices open, currently has about 33% of total loan volume north of the border.

• **Little to Lose**—Some of Beneficial's more enthusiastic promoters foresee 20 to 30 Beneficial offices in England within three or four years. Even if the experiment goes sour, the company doesn't stand to lose much. Total initial investment in Britain won't be much more than $100,000, and a good part of that can be recovered if the office has to be closed.

If Beneficial's methods do catch on, it should do very well. This is because money costs in England (finance companies, of course, have to borrow funds before they can lend) are lower than in the U.S. at present, while the rates that customers have to pay tend to be somewhat higher. **END**



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Commercial Bank Lending Practices Viewed With Alarm By Fed Governor

The Federal Reserve's growing concern over changes in commercial bank lending practices was voiced last week by A. L. Mills, Jr., one of the Fed's most conservative governors. In a speech before the National Assn. of State Bank Supervisors, he made these points:

• Commercial banking is moving away from the principle that demand liabilities be balanced by appropriate short-term assets, thus increasing its reliance on emergency Fed credit.

• Bankers are now engaged in lending practices that would have been questioned in the past, a switch largely accounted for by their trust that earlier banking difficulties, springing from illiquidity, have been guarded against by remedial legislation.

• The banks' vast increase in longer-term loans—to business, consumers, and on real estate—is reducing their built-in liquidity, tending to hinder their most important service—short-term credit to provide temporary working capital in their communities.

• Hindsight may later reveal that current credit transactions which let consumers buy goods on narrow initial equity may weaken the will of the borrowers to respect the terms of the obligations.

Delegates to the annual convention of the American Bankers Assn., which met this week in Miami Beach, were warned to guard against **"a great splurge of consumer expenditures propelled by credit expansion."** The warning came from Raymond J. Saulnier, Chairman of the President's Council of Economic Advisers, who pointed out that extension of consumer credit, largely as a result of a new aggressive drive by the banks, is exceeding the annual rate registered in 1955, which got us "into a bit of trouble."

Despite Saulnier's admonition, the banking community does not plan any slowdown in consumer credit extension. In fact, a growing number of bankers reported that they were establishing either revolving check credit plans or charge account programs in order to increase their share of credit extensions.

• • •

Cost of New Group Pension Plans Cut By Prudential Under New Tax Law

The Prudential Insurance Co. this week announced cuts of up to 10% in the cost of new group pension plans. The Pru's move, and similar ones taken by Aetna Life Insurance Co. and John Hancock Mutual Life Insurance Co., stem—paradoxically—from the new life insurance tax law. This measure, for the most part, sharply increased taxes that life companies must pay (BW—Jun.27'59,p109).

Despite the over-all increase in insurance taxation, Congress did make **a concession to the life companies designed to help them be more competitive with tax-exempt bank-trusteed pension plans.** Specifically, the new law says that by the end of 1960, earnings on the pension reserves of the life companies will be tax-free. Up to now, insurance companies have had to figure in tax costs—that qualified bank plans don't have—in setting up pensions.

For the moment at least, the Pru's reduction won't apply to plans already in existence. However, a company spokesman says outstanding plans will be reviewed, and where reductions in charges are justified, they'll be made.

As part of the rate reduction, **Pru also announced that it's raising the interest yield that it guarantees on pension reserves.** The new rates are 4% for the first five years and 3¾% for the second five years, compared to a previous guarantee of 3% for four years, and 2¾% thereafter. The increased guarantee—which is due to high money rates rather than the new tax law—will also have the effect of lowering pension costs.

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Finance Briefs

Despite the steel strike, **cash dividend payments in September rose $100-million** from the 1958 level to $1.8-billion, according to the Dept. of Commerce. This brings the nine-month dividend total to a record $9-billion, 4% over the first three quarters of 1958. One of the few industries that lagged was mining, where nine-month payouts fell from $380-million to $352-million, chiefly due to dividend cuts by oil companies.

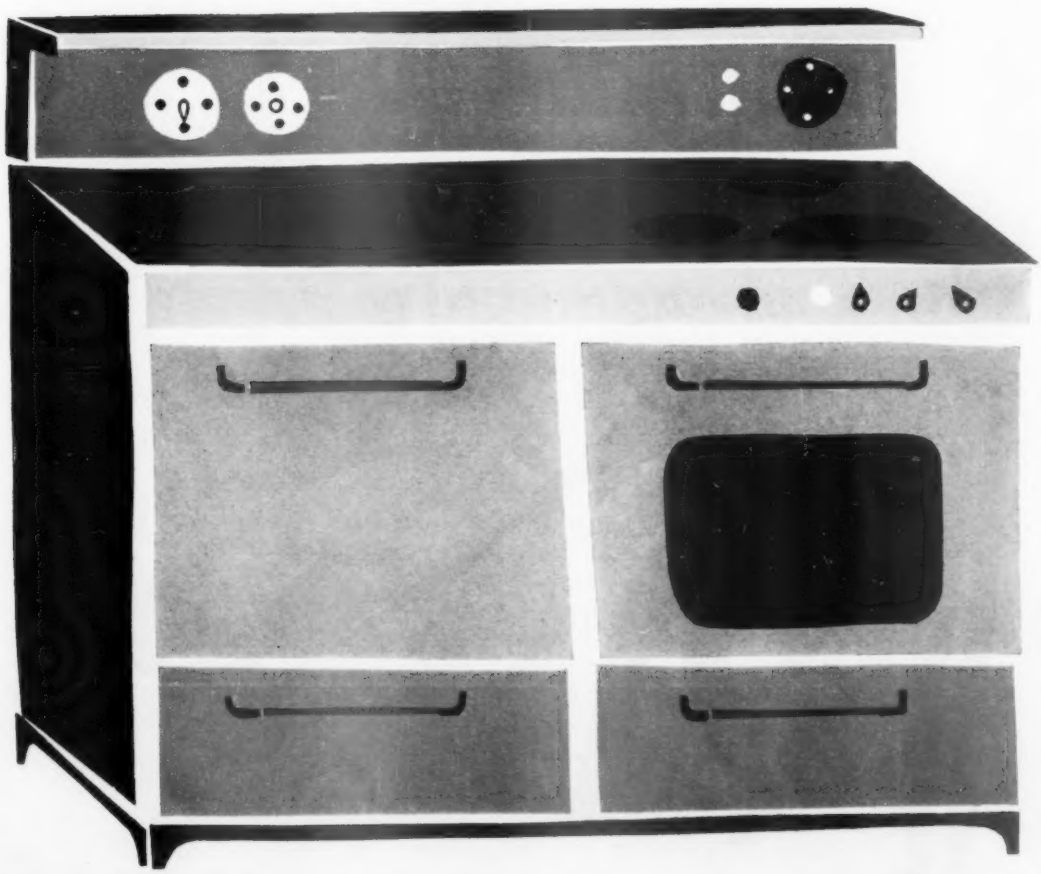
Morgan Guaranty Trust Co. this week asked approval of federal and state banking authorities to form **two international subsidiaries.** If approval is granted, the bank plans to invest initially $2-million in each of the companies, which will be known as Morgan Guaranty International Banking Corp. and Morgan Guaranty International Finance Corp. The new subsidiaries will enable Morgan to invest in the common stocks of foreign banks and corporations.

Cuban importers' draft indebtedness—the unpaid sight and time drafts forwarded by U. S. exporters for payment—jumped $2.6-million in September to a record high of $15.4-million. Meanwhile, the volume of drafts paid fell by $2.3-million to $1.9-million, the biggest monthly decline among the 29 South American and Caribbean countries surveyed by the Federal Reserve Bank of New York. Cuba also had one of the lowest rates of prompt payment last month—59.4%.

Allstate Insurance's plan to offer a **10% reduction on insurance on compact cars** (BW—Oct.17'59,p129) ran into some opposition this week. Sam N. Beery, Colorado State Insurance Commissioner, said he won't clear the Allstate plan "for some time, if at all." Beery said he wants answers to "a number of questions" before he gives a go ahead. Most importantly he wants an explanation as to why liability rates should be lower. Said Beery: "It's just as easy to be killed by a little car as a big one."

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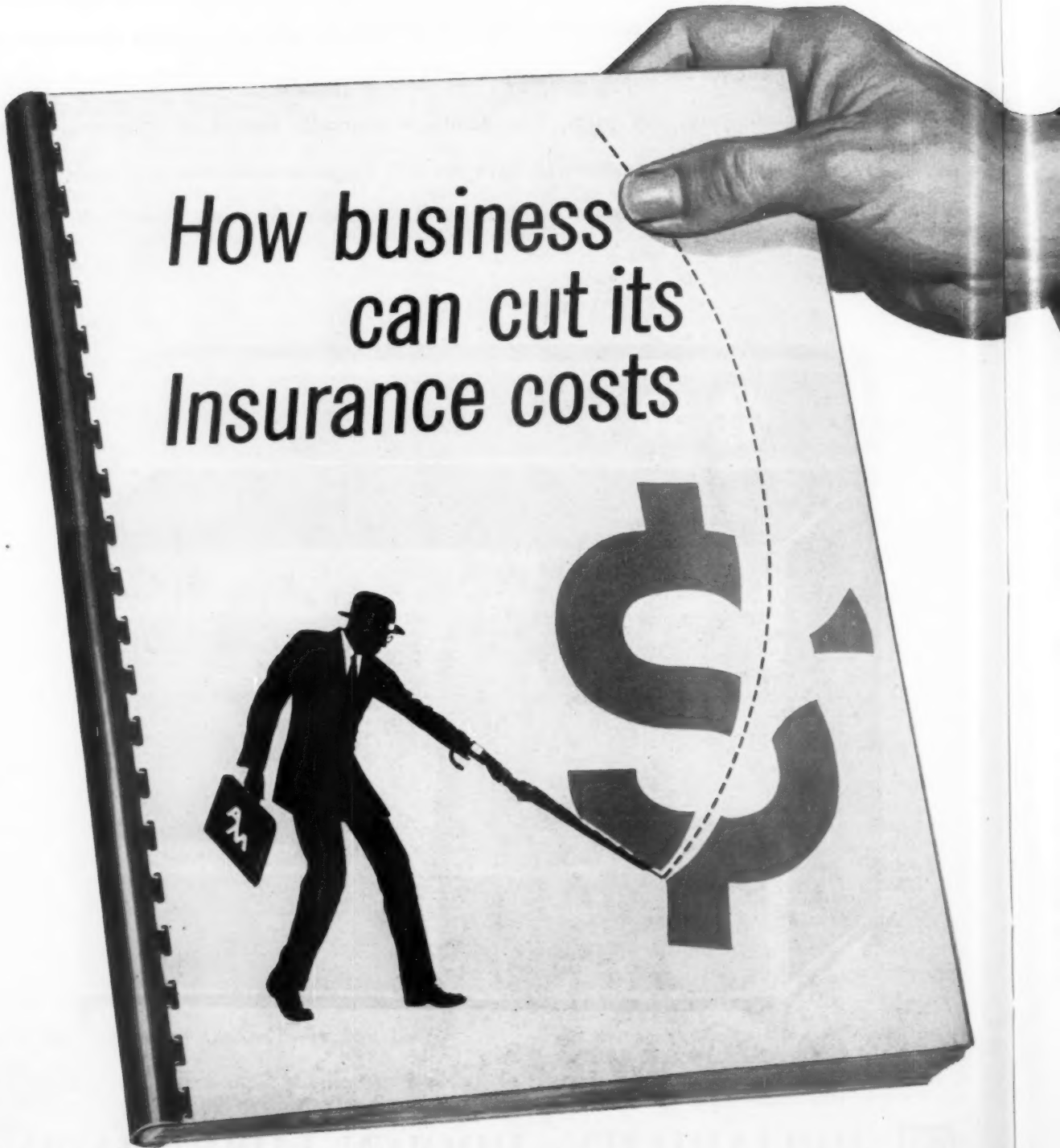
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STATE	1953-55 AVERAGE	AUGUST 1958	JULY 1959	AUGUST 1959	% CHANGE VS. YR. AGO
Alabama	$286.4	$384.0	$405.2	$399.4	+ 4.0%
Alaska	41.9	50.1	59.5	55.7	+11.1
Arizona	126.9	189.8	208.1	209.3	+10.3
Arkansas	153.5	188.7	202.9	200.1	+ 6.0
California	2,341.7	3,103.7	3,377.7	3,394.7	+ 9.4
Colorado	217.2	298.3	313.5	319.4	+ 7.1
Connecticut	440.7	555.8	591.4	599.7	+ 7.9
Delaware	78.6	104.4	112.2	113.3	+ 8.5
District of Columbia	158.2	190.5	193.1	193.8	+ 1.7
Florida	456.8	719.4	784.3	800.0	+11.2
Georgia	383.2	483.5	519.6	523.7	+ 8.3
Hawaii	76.0	96.6	103.2	102.1	+ 5.7
Idaho	74.5	94.7	100.2	99.2	+ 4.8
Illinois	1,677.5	2,033.4	2,219.8	2,213.3	+ 8.8
Indiana	663.5	770.6	860.5	832.7	+ 8.1
Iowa	357.3	436.4	467.4	461.2	+ 5.7
Kansas	281.8	352.2	360.5	351.1	– 0.3
Kentucky	307.1	367.4	367.3	366.1	– 0.4
Louisiana	318.3	417.4	441.3	430.0	+ 3.0
Maine	112.8	138.0	141.0	141.6	+ 2.6
Maryland	432.3	555.0	559.6	553.0	– 0.4
Massachusetts	799.8	996.2	1,042.5	1,053.0	+ 5.7
Michigan	1,234.1	1,390.2	1,552.6	1,540.4	+10.8
Minnesota	434.8	544.3	575.1	571.7	+ 5.0
Mississippi	160.9	202.8	216.1	211.7	+ 4.4
Missouri	600.9	735.1	758.9	757.6	+ 3.1
Montana	92.3	110.1	112.0	104.8	+ 4.8
Nebraska	182.5	220.5	240.2	240.0	+ 8.8
Nevada	43.1	60.1	64.1	64.9	+ 8.0
New Hampshire	75.2	92.7	95.2	94.4	+ 1.8
New Jersey	982.9	1,233.9	1,290.6	1,301.9	+ 5.5
New Mexico	91.8	131.3	134.3	133.8	+ 1.9
New York	2,887.9	3,555.8	3,659.7	3,656.8	+ 2.8
North Carolina	429.0	551.9	587.2	568.0	+ 2.9
North Dakota	67.4	92.1	86.0	85.2	– 7.5
Ohio	1,476.3	1,721.7	1,920.7	1,896.0	+10.1
Oklahoma	268.5	343.4	329.4	332.9	– 3.1
Oregon	249.8	291.0	317.7	318.5	+ 9.5
Pennsylvania	1,678.6	1,995.7	2,125.2	2,047.1	+ 2.6
Rhode Island	129.9	146.4	158.1	158.4	+ 8.2
South Carolina	210.0	249.7	265.9	260.5	+ 4.3
South Dakota	73.7	95.3	98.1	92.9	– 2.5
Tennessee	345.9	431.6	448.1	450.3	+ 4.4
Texas	1,132.9	1,442.1	1,472.5	1,473.4	+ 2.2
Utah	98.1	125.8	142.8	141.0	+12.1
Vermont	45.9	54.4	58.6	59.6	+ 9.6
Virginia	383.3	558.2	570.0	573.1	+ 2.7
Washington	418.0	493.1	523.2	525.2	+ 6.5
West Virginia	209.7	252.1	266.0	258.9	+ 2.7
Wisconsin	528.2	639.1	674.4	671.5	+ 5.1
Wyoming	45.9	55.6	57.2	55.4	– 0.4
NATION	$24,363.3	$30,247.1	$32,230.7	$32,041.1	+ 5.7%

August figures preliminary; July 1959 and August 1958 revised.

©BUSINESS WEEK

Eavesdrop on almost any group of Texas businessmen, and sooner or later the conversation swings around to a discussion of why the state's economy has gone flabby.

For years, Texans have taken growth for granted—new homes, plants, office buildings, and freeways. But despite outward appearances, many Texans are beginning to sense that things aren't quite the same.

That feeling is borne out by the figures. For years, personal income in the Lone Star State grew faster than for the nation as a whole. But BUSINESS WEEK's estimates indicate that last spring Texas' growth rate dropped behind (chart). It isn't that Texas has started to decline; rather, it's that Texas is not growing so fast as it has been.

You don't have to look far for the reasons. Oil and agriculture are off. Changes in defense spending are causing layoffs in the aircraft industry. Construction is down. The boom in electronics can't offset these soft spots. Production of chemicals and natural gas is up, but these industries require relatively few workers.

It's hard to tell whether this is just a lull or the start of a trend. Oil economists don't anticipate the return of boom days. Aircraft manufacturers expect at best to hold present employment levels. No one has started a good-sized new plant in Texas for some time. And it's certain that agriculture will continue to go up and down, vulnerable as it is to the elements and to politics.

I. Why Oil Is a Drag

Oil is the single most important industry in Texas. To understand its current drag on the state's economy you have to put the present reduced levels of production in perspective.

Steel Strike

The impact of the steel strike on personal income began to be felt in August. According to BUSINESS WEEK's Measure of Personal Income, 31 states registered a monthly drop from July to August, with steel centers in Pennsylvania, Michigan, Ohio, Indiana, West Virginia, Maryland, and Alabama reporting substantial monthly losses.

However, many of the most severe month-to-month declines showed up in states where steel was not a factor: Montana, South Dakota, Wyoming, North Carolina, Kansas, and Louisiana. These and other farm states are feeling the

Losing Some of Its Steam

With few interruptions, Texas production of crude oil expanded steadily for decades, until it hit the 1-billion-bbl. annual level during the Korean War.

All the while that oil was being such a good provider to Texas, its continued growth became taken for granted. So it came as a shock that production—after setting a monthly record in March, 1957—began to nosedive and, after recovering in the second half of 1958, that it should turn down again last summer.

• **Factors**—In a quick turnaround, the Texas Railroad Commission which regulates oil output to keep it in line with the market, cut permitted production from 18 days in March, 1957, to eight days in the second quarter of 1958. Many forces contributed to the industry's difficulties: pressure from Washington and abroad when the Suez Canal was closed to produce more oil for export to Europe; the overflow when Suez was reopened; the recession; mild winters that reduced heating oil demand; and the rush to bring in foreign oil before controls were applied.

• **Long-Term Trends**—These were short-run factors. With time, Texas might have been able to adjust to them. However, they were aggravated by long-term trends that are still at work:

• Oil and gas may have achieved their maximum share of total U.S. energy requirements. From here on, their growth curve will be more like the 2% curve of all energy sources than their own 5% or 6% rates.

• Natural gas, which provides less employment than crude once it has been discovered, continues to eat into the fuel oil heating market.

• Refineries have been running at too high a rate, thus creating imbalances and excessive inventories of oil products that soften prices.

• Competition from other producing states and from imports is increasing while demand for oil products is growing at a slower rate.

• **Supply and Demand**—In setting Texas oil allowables, the Texas Railroad Commission is guided by estimates of demand and inventories.

"We've been telling refineries to cut their runs," says commission Chmn. Ernest O. Thompson. "But they won't listen to us." Once refiners build up capacity, they feel they have to run at near peak for several reasons—to recoup their investment, avoid technical problems such as carbon forming in the lines, provide feedstock for nearby petrochemical plants.

To adjust to high refinery runs and inventories, the commission in July began to fix the number of producing days each month at nine—one above the all-time low in the spring of 1958. It has done so again each month since July.

Texans are chagrined at this. They note that Texas' share of U.S. production has dropped from 45% in 1951 to 38% last year. They resent the fact that Texas is having to take the brunt of the cutbacks. And they are especially annoyed at Louisiana's failure to cut output and at Louisiana crude coming into Texas itself.

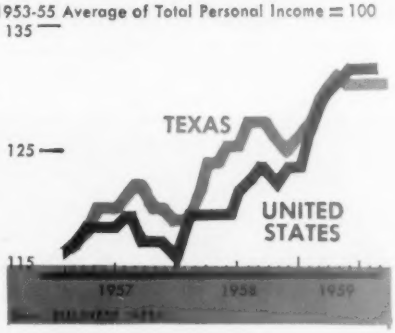
The impact of the Texas commission's cutbacks is widespread:

• Employment in oil and gas production, refining, and pipelines in Texas dropped from 188,000 in August, 1957, to 170,000 last August. During 1958, Humble Oil & Refining Co. cut its payroll by 2,000.

• At the ownership and management level, there has been a thinning of ranks as independents have left the business.

• Thousands of royalty owners—from the University of Texas Endowment Fund to small dirt farmers—are getting smaller checks.





• The state, which depends more on the oil severance tax than on any other source, has had to raise some special sales taxes. And a general sales tax or income tax looms ahead.

• **Ranks Are Thinner**—Banks report that more loans are being made for purchase of producing properties than for exploration. "The strong independents are getting larger," says Pres. Ben H. Wooten of the First National Bank in Dallas, "but the little fellow can't afford any more dry holes. He's got his million and doesn't want to shoot it." A

Casts Its Shadow on Incomes

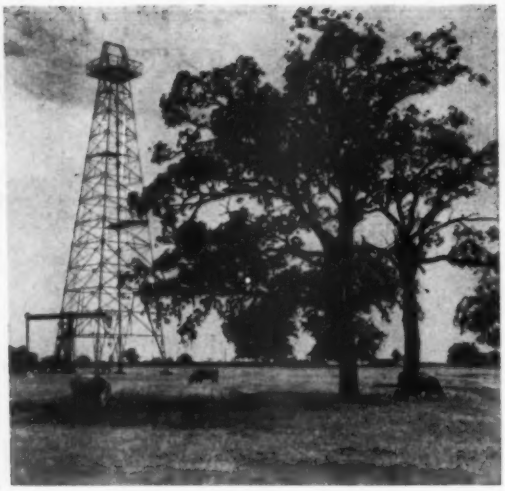
pinch from crop prices, which have fallen steadily this year.

In the year-to-year comparison, U.S. incomes rose 5.7% over August, 1958, marking the smallest yearly improvement since January. Utah was the star performer for the second month in a row—a remarkable record in view of the two-way squeeze from prolonged labor disputes in steel and copper, both important industries in the state. Despite these strikes, there were 9,300 more non-farm jobs in August than a year ago; almost half were in the state's young missiles industry.

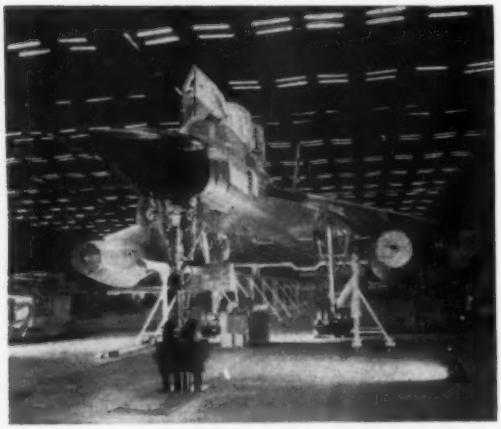
In Florida, where August incomes mounted 11.2% over the year-ago level, the profile of the economy has changed radically during the past few years. Historically, income in this state always dips lowest during the summer when resort traffic slows to a trickle. Recently, however, there has been a big increase in year-round residents as a result of stepped-up missiles activity around Cape Canaveral and retirement-type housing developments springing up all over the state. Jobs in trade, finance, construction, and service industries are now expanding rapidly to fulfill the many requirements of these new residents.

Hardest-hit by the decline in farm income was North Dakota. August personal income slumped 7.5% below the year before, when cash receipts from farming were the highest for any August since 1947. This is the most heavily agricultural state in the nation. Last year, almost 32% of its total personal income came from farming.

Six others, all states in which farming plays an important role, recorded year-to-year income declines: Kansas, Kentucky, Oklahoma, South Dakota, Wyoming, and Maryland.



OIL is suffering from production cutbacks and growing competition from natural gas.



AIRCRAFT is hurt by Pentagon's stretch-out program of manned bombers like B-58.



ELECTRONICS is Texas' fastest-growing new industry, but is still relatively small.

Houston operator adds that the independents who are liquid are investing in other fields—real estate, stocks, electronics, bowling alleys.

Commissioner Thompson isn't sorry that the "fringe boys" are leaving the business. "They have their petroleum clubs where they play gin rummy," he says. "That's the limit of their contribution to the industry. Now they have to go back to work."

II. Agriculture Drags

In years gone by, Texas was fortunate to have oil and agriculture inclined to offset each other. This year, as the oil industry flounders at a lower level, farming too is off.

During the drought of the early 1950s, oil meant much to Texas farmers. The drought was particularly severe in West Texas, and it was in that area that new oil fields were being discovered. Farmers got relief first from bonus payments and lease rentals, then from royalties as production went up.

Last year, when oil production dropped 14% from 1957, farming came to the support of the state's economy. Total personal income in Texas rose from $16.4-billion in 1957 to $17-billion in 1958, and farm income accounted for more than half the gain.

• **Income Is Down**—Better weather last year brought about the swift recovery. From fewer harvested acres, farmers obtained more cotton—the state's biggest money crop. Production was up from 3.6-million bales to 4.3-million bales. Cattle marketings held about even, but the prices stiffened.

This year, however, farm income will be down slightly, due to lower prices and a smaller wheat crop. Cotton output will be up 200,000 bales, according to Agriculture Dept. estimates, and grain sorghum production could set a record at 277-million bu. But government support prices for both are off, rains reduced the grade of cotton, and dry weather cut the winter wheat crop this year by 23%.

• **Cattle Market**—So far, cattle marketings and prices have not changed much from a year ago. Ranchers still are rebuilding their drought-hit herds rather than selling more cattle. There is a trend—though still small—to fatten cattle with sorghum in Texas instead of sending them north.

West Texas also is considering more irrigation of farms. The flat prairie of the west is conducive to the more automated raising of cotton, and large areas can be irrigated.

III. Defense Industry's Toll

The military have long played a major role in Texas with installations such as Fort Sam Houston, Kelly Field, and Corpus Christi Naval Air Station. During World War II, the fine weather also attracted large aircraft plants. With such a heavy stake, it's hardly surprising that the changing requirements of the Armed Forces in the space age dealt Texas a heavy blow.

The switch in emphasis among the services and weapons has been reflected in layoffs of civilian employees at military installations and at aircraft plants. San Antonio and Corpus Christi were particularly hit by the reduction of civilian jobs at military bases. Dallas and Fort Worth reeled from a cutback in aircraft manufacturing. From a postwar high of 59,300 in May, 1957, Texas employment in aircraft plants fell to 44,300 last August. However, most of the laid-off workers have found other employment.

• **The Majors**—Of the major plants, the Fort Worth plant of General Dynamics Corp.'s Convair Div. is the largest, with over 19,000 employees. After bottoming out at around 17,000 in 1954 as the final B-36 bombers left the line, Convair worked up again to 25,000 in 1957 with the production of its B-58 Hustler, the first U. S. supersonic bomber, and subcontracts. Since then, Convair has cut its payroll as contracts were completed. Recently, Convair laid off about 800 workers, as the Air Force stretched out B-58 procurement and canceled development on a proposed new B-58 version.

In Dallas, Chance Vought Aircraft, Inc., suffered more cutbacks last December when the Navy canceled contracts for the F8U-3 aircraft and Regulus II missile. Chance Vought reached its peak employment of 18,000 in 1957 when the F8U-1 and Regulus I programs were going strong, but reduced its force to 16,500 as it improved efficiency. Since the order cancellations, Vought has let another 6,500 men go.

The company is still making versions of the F8U-1 and F8U-2, and is getting into space work by joining the Boeing team to develop the Dyna-Soar space vehicle, by assembling a Scout research rocket for the National Aeronautics & Space Administration, and by developing a nuclear-powered low altitude missile, SLAM.

IV. Electronics Helps

Texas is not without its firm areas, to be sure, and of these none is growing more rapidly than the electronics industry.

By far the dominant firm is Texas Instruments, which has most of its operations around Dallas. The company now employs 8,500 in the state. Its employment roll is up 3,400 over a year ago, and TI is hiring more people daily. Nearly 40% of its business is for the military—equipment for use in detecting submarines, in aerial reconnais-

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DOW | **PLASTICS: *INSIDE STORY***

Bright, colorful plastics have long been used as decorative materials in a host of products. Often, on the inside, there are inconspicuous plastics parts which withstand the wear and tear of daily use better than metals and other materials they have replaced. Dow thermoplastics are frequently trail blazers in these applications because of their ability to "take it". Several different formulations of Dow plastics offer ideal combinations of properties for products that must be strong, durable and resistant to corrosion as well as to a wide range of chemicals. A few of the more interesting ones are discussed below.

PLASTICS SHRUG OFF WEAR, CORROSION IN NEW PUMP

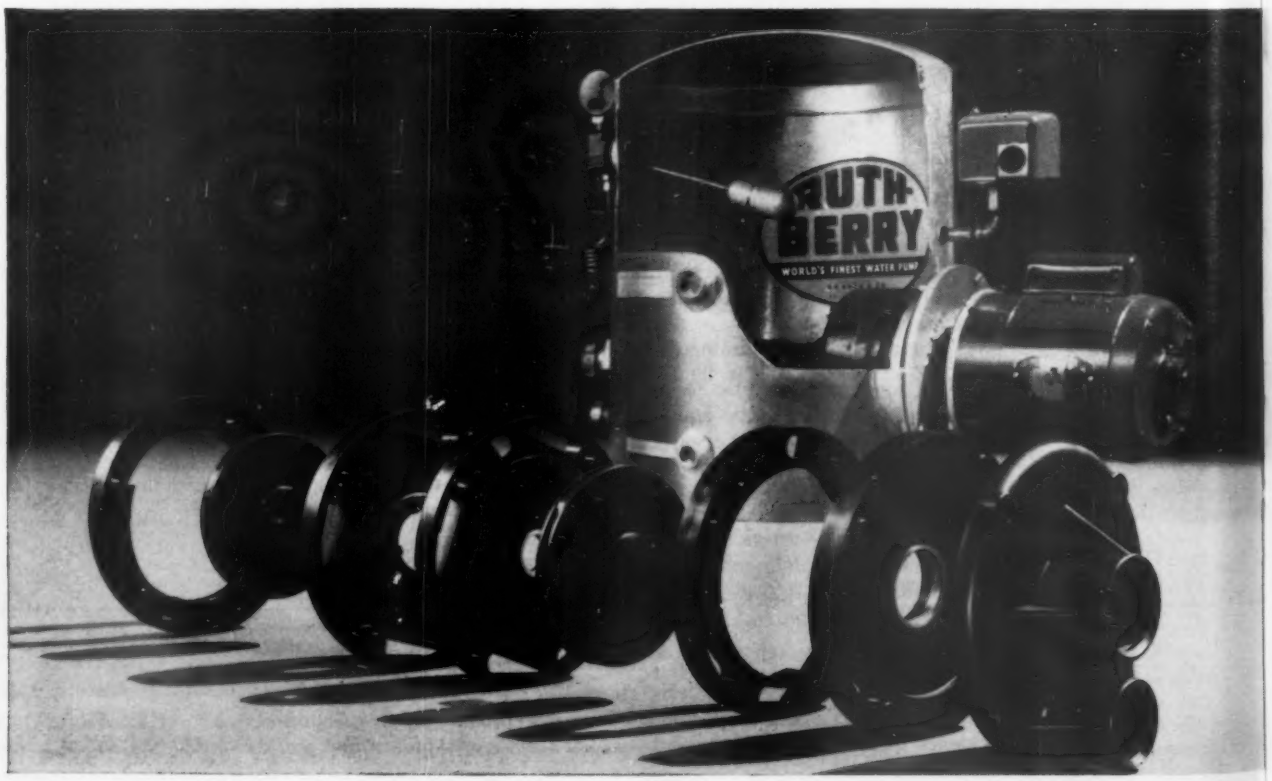
Water pump parts made of Styron® 475 deliver long lasting service, substantial production economies.

A pump that supplies water for home use provides one of the most acute tests of materials and the parts into which they are made. Its components are constantly exposed to corrosion. Moving parts are constantly subjected to wear. To perform efficiently, they must be manufactured to close tolerances and remain free of distortion throughout a long period of service.

Until recently, metal was the only material considered for the working parts of a water pump (shown in cutaway view). Today, Dow plastics excel in this rugged application.

The impellers, diverters and interior piping of this two-stage shallow well pump are made of Styron® 475. The moldability and dimensional stability of this versatile Dow plastic gives these intricate parts a close fit. They have a low rate of wear when functioning with either metal or plastic parts and, of course, they are resistant to corrosion.

Not only do parts made of Styron 475 perform more efficiently and last longer in this application, but they cost less, too. Several production economies, including the elimination of all machining, save the manufacturer considerable costs right at the outset.



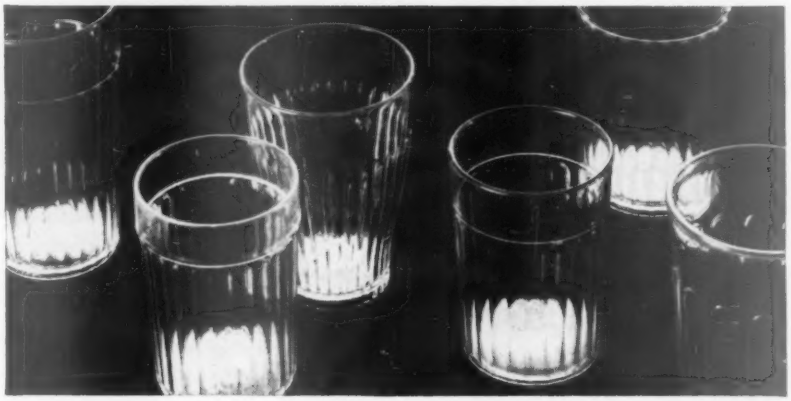
HOUSING AND INSULATION—ALL IN ONE

Ice cream always tastes better when it's homemade, especially in a smart, modern freezer like this one that does all the work itself. (A detachable electric motor churns the ice cream.) The housing is made of Pelaspan®, a rigid, durable material formed by expanding polystyrene beads under heat and pressure. Pelaspan also serves as insulation to keep the ice cream cold after it is made. This Dow thermoplastic has an attractive, smooth surface. It won't crumble or lose its insulating effectiveness through use.

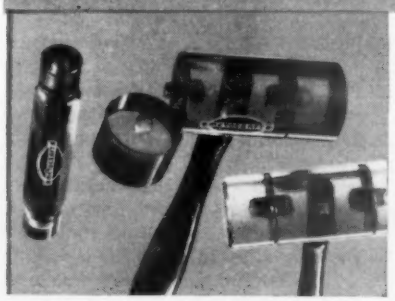


TOUGH TUMBLERS LAST AND LAST

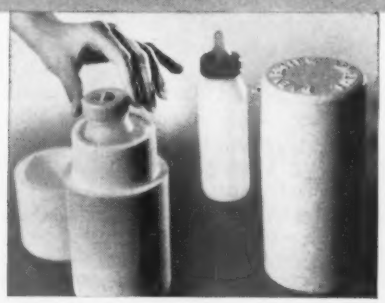
Versatile Dow thermoplastics are taking over on an increasing number of jobs where endurance counts. These tumblers are made of Tyril®, a Dow plastic that takes rough and tumble service in stride. They have high resistance to cracking and crazing, and their breakage rate in commercial service is exceptionally low. They can withstand the heat of automatic dishwashing, and strong sanitizing chemicals used in hospitals and restaurants don't faze them. They are smooth, with an attractive surface, are light and easy to handle.



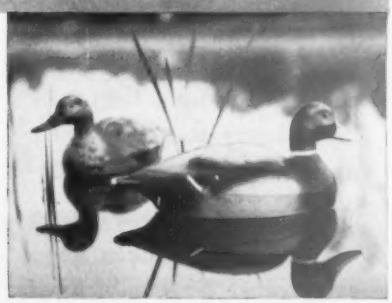
4 MORE NEW IDEAS CREATED IN DOW PLASTICS



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PELASPAN—Keeps baby bottles warm, saving those sleepy 2 a.m. heatings. Pelaspan serves as insulation and carrying case, resists moisture, can be molded in a range of colors.



STYRON 480—These colorful, beautifully finished duck decoys are highly realistic. They're completely water resistant and tough enough to take rugged service on hunting trips.



TYRIL—These soda and sundae servers can take lots of punishment without showing it. They have excellent resistance to butter fats, fruit juices and other food acids.

MAY WE ASSIST YOU in selecting the right material for your product application? For more information about the Dow thermoplastics discussed in this advertisement, write to us. THE DOW CHEMICAL COMPANY, Midland, Michigan, Plastics Sales Department 1506AF10-31.

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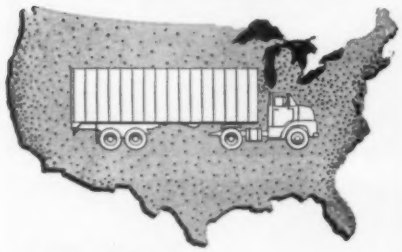
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CONTINUED GROWTH in office employment and the ability of financial institutions to finance their own buildings support what seems to be an unending office building boom.

sance, missiles and other applications.

With the growth in industrial controls and electronic computers, the company is already expanding a semiconductor-components plant that was completed last year. Even the softening of the domestic oil industry hasn't hurt Texas Instruments, because as oil becomes harder to find, more of its exploration crews and seismic equipment are in demand at home as well as abroad. Only recently, it introduced the first transistorized seismic system.

• **New Chemical Plants**—Output of chemical plants along the Gulf Coast has gone up along with the business recovery, but the industry's greatest impetus to employment in the Houston area has been construction of new plants—rather than their operation. The biggest construction now under way is the first ($25-million) stage of Socony Mobil Oil Co.'s ethylene plant at Beaumont, but no great expansion wave has begun elsewhere on the coast.

Paradoxically, in view of the glum oil picture, the oil field equipment industry is picking up. Houston firms have rehired almost everyone they laid off in 1958. Orders are up in the export markets, and even in the U. S., drilling activity is a bit higher than a year ago.

V. Bid for New Industry

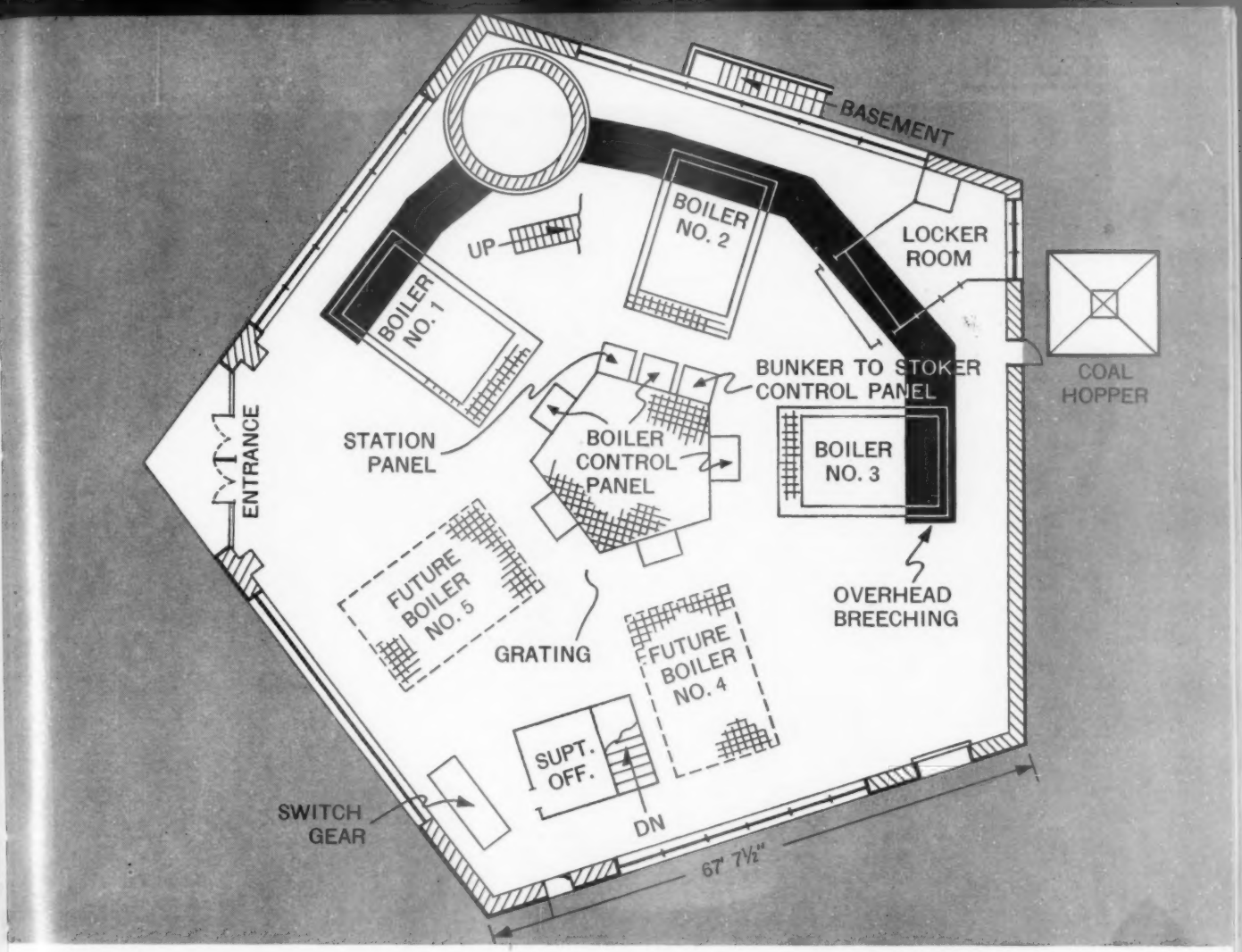
The future is bound to hold more growth for Texas, but no one is excited about the immediate prospects.

The outlook hinges on industrial development, according to Prof. John R. Stockton of the University of Texas, and in months Texas has won no basic industries. Recently, a constitutional amendment permitted the state to advertise for new industry, but the legislature failed to provide the new industrial commission with enough money to operate on a major scale.

• **Campaign for Business**—Dallas businessmen recently started another of their own national advertising campaigns. According to Fred F. Florence, executive committee chairman of the Republic National Bank, "We saw the competition from other areas, and it was evident other groups were making some progress."

Stockton warns that Texans should not be misled by the construction of office buildings, shopping centers, and the like into thinking their economy is still booming and gaining new plants. This reflects catching up in services more than new basic growth factors, he says. And those who are impressed by the growth of service-type employment and by electronics, Prof. Francis B. May says, must keep in mind that these are lower-paying fields. Women working in offices or electronics plants don't make up for wages lost by men laid off in oil or aircraft.

• **Next Round**—To win any new manufacturing plants of size, May says, Texas may have to wait until the round of expansion swings in its direction again. Because the sale of natural gas into interstate pipelines subjects producers to federal control, gas men hope that they can entice gas-using industry to Texas where they can use gas nearer to the well. But one pipeline company doubts that producers can hold shut-in capacity that long without risking the loss of markets to coal in the Ohio River Valley. **END**



Hospital cures fuel ills with "little Pentagon"

Richmond State Hospital burns coal for economy and availability in modern pentagonal power plant

After a power system failure at the Richmond State Hospital, Richmond, Ind., the administration conducted an engineering survey of its steam-generating operation. Over-age equipment indicated the need for entirely new facilities. The shape of the boiler room site prompted the unconventional pentagonal installation for best possible adaptation of space to present and future needs. *Economy* and *availability* dictated the choice of coal as the fuel. Today a new power plant—designed by Fleck, Quebe and Reid, Indianapolis, with F. B. Morse, of Purdue University—burns coal in a completely modern, automatic operation. The outstanding features of this compact installation are its high combustion efficiency, minimum manpower requirement and continuing ease of maintenance.

Consult an engineering firm

If you are remodeling or building new heating or power facilities, it will pay you to consult a qualified engineering firm. Such concerns—familiar with the latest in fuel costs and equipment—can effect great savings for you in efficiency and economy of fuel.

Coal is lowest cost fuel

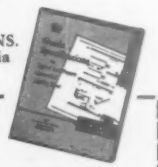
Today, *when the annual cost of fuel often equals the original cost of the boilers,* you should know that bituminous coal is the lowest cost fuel in most industrial areas. And modern coal-burning equipment gives you 15% to 50% *more* steam per dollar, while automatic operation trims labor costs and eliminates smoke problems. What's more, tremendous coal reserves and mechanized mining procedures assure you a constantly plentiful supply of coal at stable prices.

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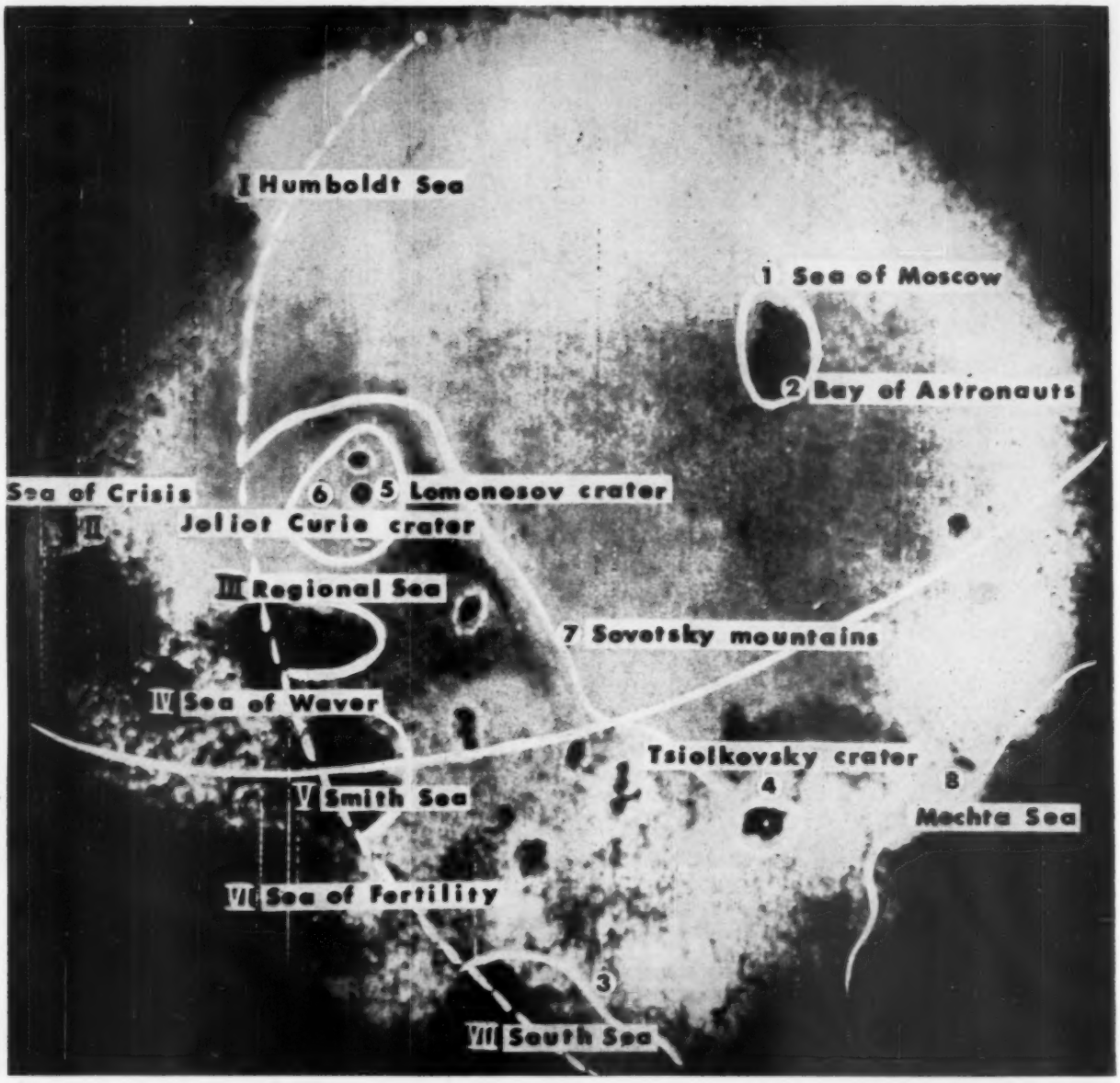
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Glimpsing the Moon's Far Side

Release of the Soviet's first "far side of the moon" photographs this week brought a mounting wave of applause from scientists all over the Free World. Astronomers, mathematicians, and physicists alike greeted as a genuine triumph this first glimpse of the side of the moon that is forever turned away from the earth.

Amid the applause, though, was a certain amount of puzzlement. The lack of definition in the pictures made U. S. astronomers hesitant to draw firm conclusions; except for a few dark spots, the pictures—like the one above—show the far side as smooth and white.

• **Different or Unclear?**—The Soviet interpretation of the pictures accepted one of the simplest possible explanations of this apparent monotony compared with the side of the moon that man can see through telescopes: It said quite simply that the far side of the moon had indeed a different configuration from the near side. This view was expressed by Prof. Alexander Mikhailov, director of the Pulkovo Observatory and a member of the Academy of Sciences.

U. S. astronomers tended to be skeptical. They suggest that the pictures released so far are crude and that the vast white area may in fact be pockmarked with craters. All of them express the hope that the Russians will quickly release more and clearer pictures.

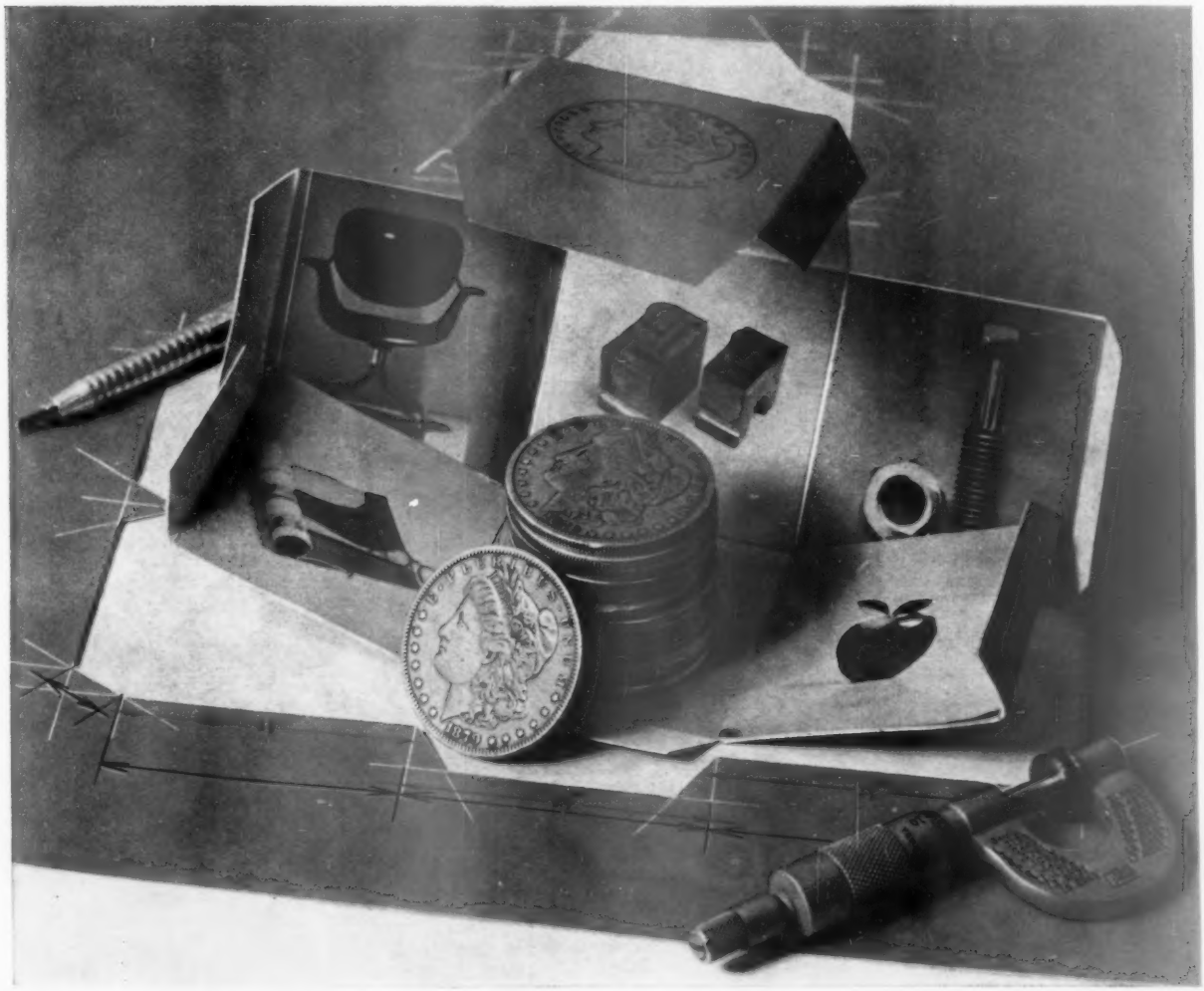
The Americans draw on their own experience in photographing the near side of the moon with telescopes. Conventionally, all the features of the moon are defined by the shadows they cast. The so-called "seas" appear as dark spots on photos, with the craters as light regions. However, when earthbound photographers have been unable to get a good sun angle, their photos, too, have shown just a few dark spots on a vast, fuzzy, white sphere.

• **Uncertainty**—Much of the uncertainty could be cleared up by exact information on the position, angle, and flight path of Lunik III when the pic-

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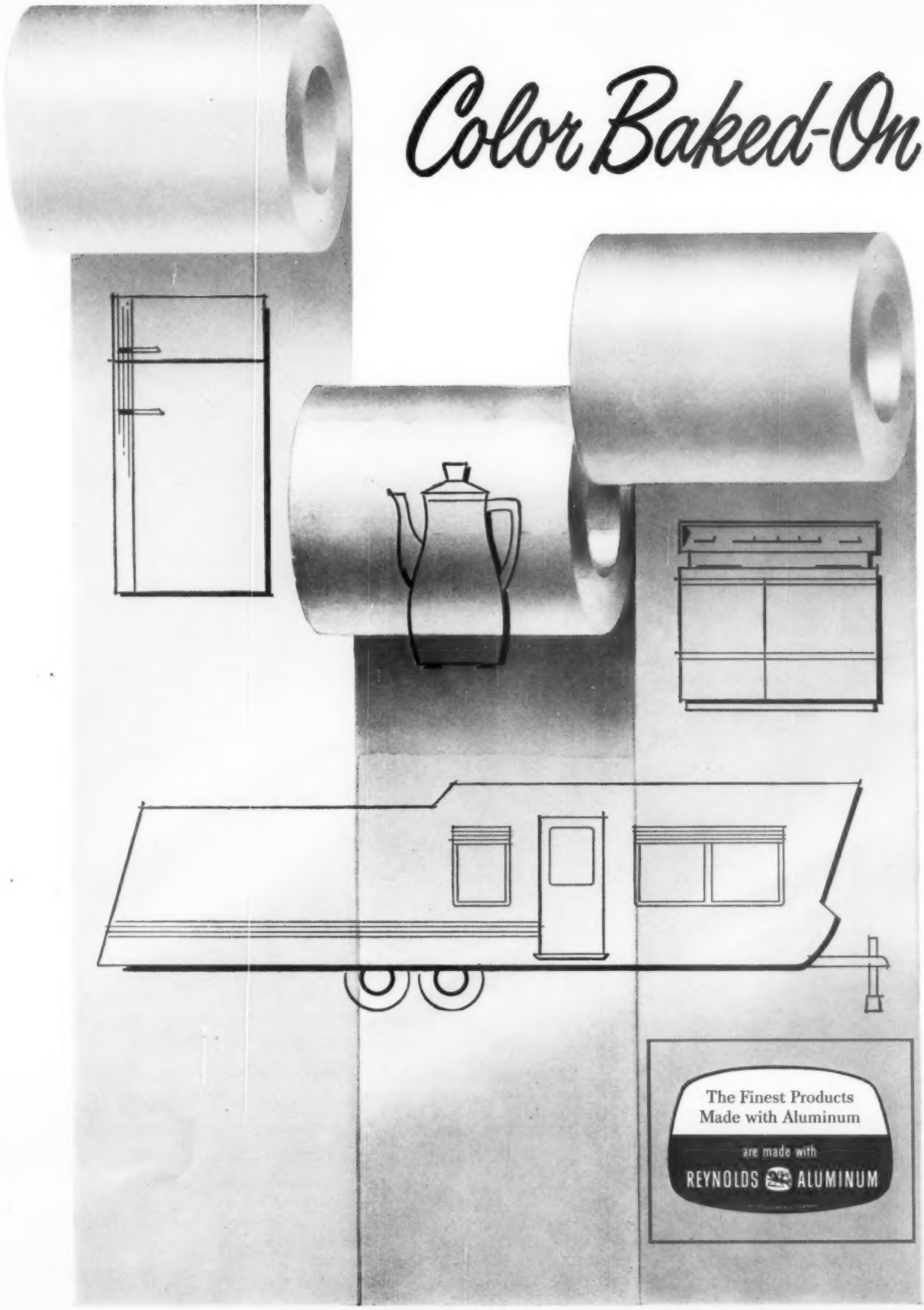
THE BANK OF NEW YORK

New ideas in paper and paperboard packaging are creating dynamic growth for the paper industry. New concepts in banking, too, can play a part in corporate expansion. This Bank's officers are *resourceful*. They take a *personal interest* in their customers' requirements and have the *authority to act*. They would like the opportunity of designing a banking service to meet your company's specific needs.

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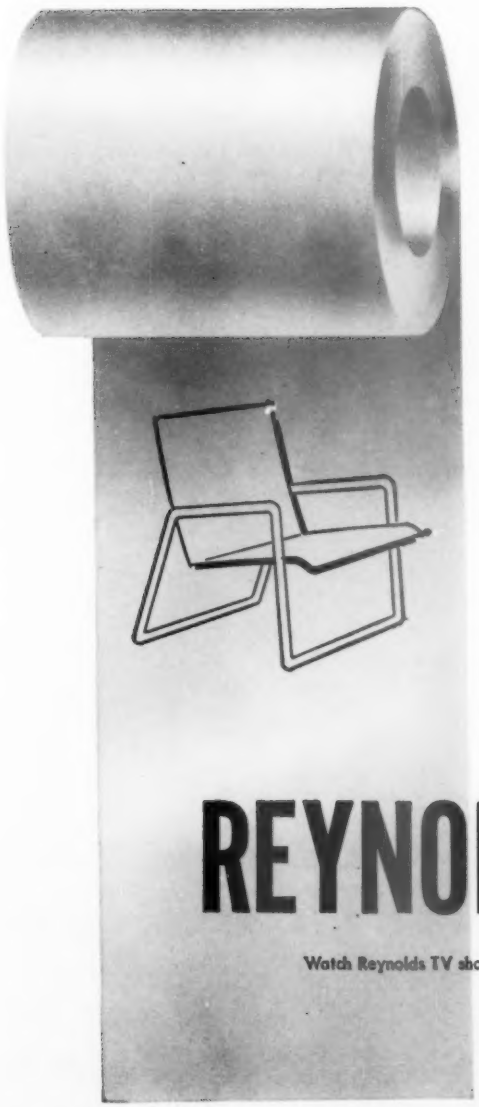

Color Baked-On
The Finest Products
Made with Aluminum
are made with
REYNOLDS ALUMINUM

...Savings Built-In

...Pre-Enameled Reynolds Aluminum

Colorweld Coil

TRADE MARK



Improving products, cutting costs—it's an old story for aluminum. And now, from Reynolds, here's a new chapter to that story: Colorweld.

Reynolds Aluminum Colorweld Coil is pre-painted aluminum sheet, finished with a permanently-bonded enamel coat, in a wide range of colors. So, with Colorweld, you can roll-form, draw or punch out a *finished* part. You eliminate your own painting or finishing operation.

The Colorweld finishes are baked-on, really tough. They won't chip, scratch or peel during production, and they resist abrasion, fading and weathering.

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If you're looking for ways to improve a product—or production efficiency—check Reynolds Aluminum, and Colorweld Coil. *Reynolds Metals Company, P.O. Box 2346GA, Richmond 18, Virginia.*

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Watch Reynolds TV shows—"ALL STAR GOLF" and "ADVENTURES IN PARADISE"—ABC-TV



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Transmission Corporation
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This, too, is Texas Eastern

13 trillion cubic feet of natural gas on tap for tomorrow!

Texas Eastern has in reserve in the ground – under contract – an estimated 13.2 trillion cubic feet of natural gas for the energy and heat demands of the future.

It's a figure that is continually being revised – upward. We started business in 1947 with reserves of 2.3 trillion cubic feet—and as early as 1952, we had tripled that amount. And from year to year, the figure has gone higher.

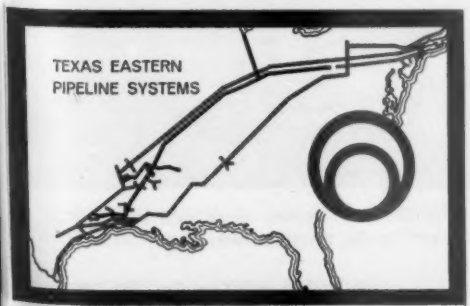
There is a good reason for this continued adding to reserves. The demand for natural gas is ever increasing. The gas we take out of the ground today must be replaced from new sources so that the thousands of factories and millions of homes in the Midwestern, Appalachian and Eastern states – that are depending on Texas Eastern to meet their natural gas needs – can be assured an uninterrupted supply for years to come.

Currently, we're delivering gas at a rate of about 600 billion cubic feet a year. That makes our 13.2 trillion cubic feet of reserves seem quite comfortable. But we're not resting on it.

In areas that can be tapped by our pipelines, we are following all exploratory drilling in order to contract for the natural gas as it becomes available in the field. This alertness to new sources of supply is enabling us to assure our customers, years from now, the same benefits of a bountiful supply of clean, economical fuel that they are enjoying today.

TEXAS EASTERN TRANSMISSION CORPORATION

PRODUCERS • PROCESSORS • TRANSPORTERS
Natural Gas • Crude Oil • Petroleum Products



tures were snapped. At midweek, the Russians had not released this information. And they have offered no reason for naming the feature numbered 1 the Sea of Moscow and an apparently similar configuration numbered 4 the Tsiolkovsky Crater.

To U.S. astonomers, the two features on the photo appear to be of the same nature–both things they would call seas. However, if the small white dot in the middle of 4 is a crater, and the doughnut surrounding it a sea, then the entire feature would be new to astronomers. This would force them to revise some of their fundamental ideas on how the craters of the moon were formed. It has been generally held up to now that the craters were formed when the moon was struck by meteorites, or by some other force in space (BW–Oct.3'59,p79). But the presence of a small crater in the middle of a relatively small sea would make the meteorite-pockmark theory virtually untenable.

U.S. scientists believe that these first pictures may be misleading because of the great difficulties of transmitting them through space. On the normally visible side of the moon, more than 3,200 craters have been identified. Despite the Tass story, U.S. astronomers are still willing to bet that similar multitudes of craters will appear on the far side when pictures with better definition are available.

• **Unmatched Faces**–Another point of surprise–expressed at the Hayden Planetarium in New York, at the Harvard Observatory, and the Naval Observatory in Washington–is that the first pictures show such small seas. On that portion of the picture that overlaps what can be seen from the earth, the seas, or dark spots, are much larger and more numerous than on the side that faces out into space. (The normally visible fraction of the moon is indicated in part by the area to the left of the dotted line in the picture.)

Varied and contradictory theories have been dreamed up to explain this difference. Many U.S. astronomers believe there is a basic difference between the near and far sides of the moon. They ascribe this difference to the fact that the near side has been subjected to the earth's gravitational pull, which has never been felt on the far side.

If there ever was volcanic action on the moon–and such men as Harold Urey of Scripps Institute believe there was–the volcanic matter might well have been smoothed out by the earth's gravitational pull into large flat irregular patches, such as those we call seas. Similarly, the seas on the far side would be smaller, having not felt the smoothing action of gravitational pull. This theory, whatever its merits, cannot account for the peculiar regularity of the small areas appearing near the Lomonoscov Crater in the Soviet photo. These seem much too round and perfect to be due to volcanic eruptions.

• **No Conclusions**–As a result, U.S. scientists are as wary of jumping to conclusions on this point on the basis of what they have been shown so far as they are in the case of the Tsiolkovsky Crater. Dr. John Hagen, assistant program coordinator of the National Aeronautics & Space Administration, sums it up this way: "A finer resolution camera and more sophisticated telemetering equipment to get more detailed pictures are a necessity before we can make any firm conclusions about the moon's surface."

Dr. Geoffrey Keller, astronomy chief for the National Science Foundation, feels the same way: "Prof. Mikhailov's statement that the other side of the moon is more monotonous [from a standpoint of terrain] is certainly interesting. But it implies that the original pictures must have been clearer than the photos we have seen. On the basis of the pictures that have been released so far, such a conclusion is extremely difficult to make."

• **Skillful Work**–It is felt that to get any pictures at all, the Soviets had to build a remarkably complicated radio-command system into Lunik III.

First, the satellite had to be turned to point its cameras steadily at the moon. This implies firing a small "steering" rocket in flight–an extremely delicate and difficult task. The Russians themselves say that the actual picture-taking was done by radio command from the ground, over a period of 40 minutes.

The entire performance required a sophistication of control equipment far beyond anything the U.S. has shown–or the Russians have used in previous space flights.

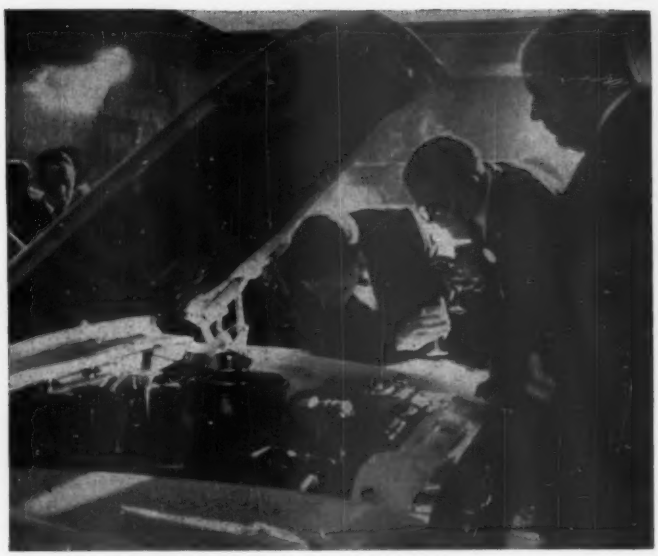
With the pictures taken, the films had to be processed, developed, and fixed automatically while Lunik was swinging away from the moon and on its 625,000-mi. orbit.

• **On Schedule**–The Russians have revealed nothing about when the pictures were transmitted back to the earth. First official word of the transmission came on Oct. 18, roughly 11 days after the Lunik was fired and at the moment when it had returned to within 25,000 mi. of the earth.

This suggests that the photos were stored for a relatively long time and then, on precise schedule, transmitted on a signal from the earth. If this be true, the Russians have equipment of a precision and reliability that is fantastic in terms of U.S. developments. With it, the Russians could probably land a package of instruments on the moon or put a satellite into orbit around it whenever they wanted. END



LONDON MOTOR SHOW at Earls Court in last 10 days helped introduce Detroit's compacts to Europe.



VALIANT had a special showing at London's Mayfair Hotel. Top Chrysler officials explain its canted engine to British press.

Detroit's Compact Cars Meet the

Western Europe's fall season of auto shows ended this week with a bang.

In Frankfurt last month and in Paris early this month, European auto makers pulled out the stops with sales-catching displays of new models. Then, at the London Auto Show (pictures) came the climax—a full-scale European debut for Detroit's three "compact" cars.

The showing of the General Motors Corvair, Ford Falcon, and Chrysler Valiant signaled Detroit's new effort to hold its own in the world auto market—overseas as well as at home.

This trio is a challenge to European auto makers in the U.S. market. Here, foreign cars have grabbed about 10% of the total car market; their makers would like to keep that share. Abroad, where U.S. auto exports have slumped, the compact cars are Detroit's main hope for boosting sales.

• **Fear of the Unknown**—Clearly, the compact cars already have had some effect on the sales planning of European auto companies. Anticipating Detroit's campaign to sell its new products overseas, European companies have gone all-out this year to redesign their models.

Yet this is mostly a hedge against po-



COMPETITORS for U.S. compacts are medium-sized, medium-priced cars such as this English Ford Zodiac, along with the Opel—which is made by General Motors in Germany—and the Vauxhall. Like U.S. cars, they're getting the two-tone look.



CORVAIR, billed by Chevrolet as "The Sensational All-New American Small Car," attracts distributors and dealers.



FALCON display model breaks the ice for showroom stock of 40 more cars that Ford is shipping to Britain next month.

European Competition Head-on

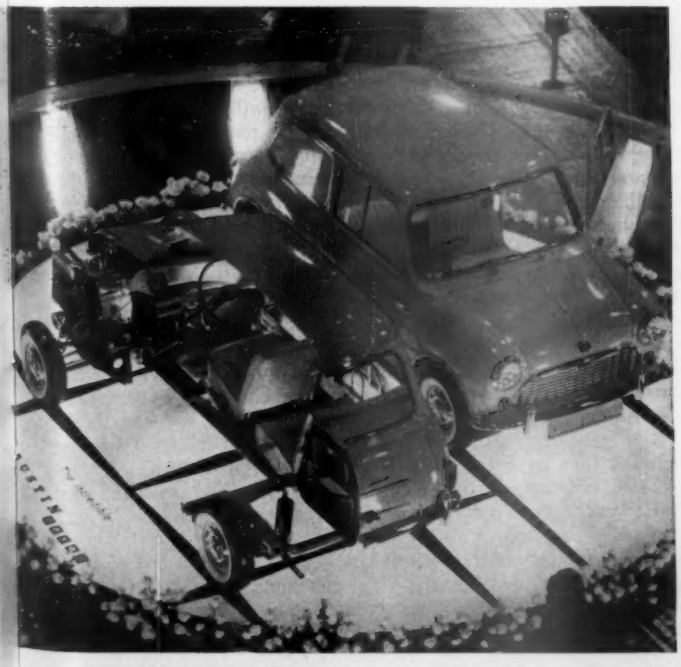
tential sales competition—not real fear on the part of the Europeans. They admit that the compact cars are smartly styled and drastically different from what Detroit has been producing in recent years. But they claim that the compacts won't hurt them much, if at all, in U.S. and foreign markets. Some executives of Detroit's Big Three echo this opinion.

Of course, the long-term effect of the compacts on the world auto market is anybody's guess. But from experience overseas, top-level statements, and present plans of the Big Three, you can see this picture developing:

• Foreign-car sales in the U.S. market may rise a bit more. In size and price, the compacts don't really compete with the best-selling imported cars.

• Compact-car sales overseas may simply restore U.S. auto exports to former levels—and no more than that. The market with the greatest potential is not Western Europe, but Latin America.

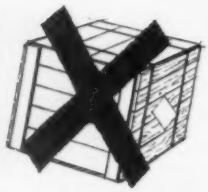
• The Big Three are planning to assemble their compact cars in foreign plants—for instance, in Belgium, the Netherlands, and Mexico. Ford, for



BEST-SELLERS in European markets will still be small cars like British Motors' Austin Seven, priced in Britain at $1,400.



SPECIALIZED APPEAL for auto buffs lies in sports cars like Morgan "Plus Four." Compacts can't compete with these.

NO  CASES

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A simple carton is all the packaging most any product needs. Simple wrap-arounds for some . . . and heavy machinery can even be shipped uncrated. Next day delivery on Delta Air Freight, the service that gives you

the big plus

Delta operates all-cargo flights and in addition carries freight on every passenger flight including Jets, throughout the richest half of the U. S. A. All-cargo flights serve Atlanta • Chicago • Cincinnati Charlotte • Dallas • Houston Miami • New York New Orleans • Orlando Philadelphia • Tampa

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one, is considering Australian production of its Falcon.

• **Detroit's Strategy**—There's no longer any question that GM, Ford, and Chrysler developed their smaller cars because of the impact of small, cheap foreign cars on the U. S. market. Sales of imported cars may exceed 600,000 this year. Though opinions differ about sales in years ahead, foreign auto makers report that sales at the moment are as strong as ever.

On the surface, U. S. auto makers tend to pooh-pooh any future growth of foreign-car sales here. Sales, some auto executives say, will drop to 500,000 or less next year. Henry Ford II has even said that imports eventually will fall below 100,000 a year.

• **Hedging**—While talking this way, the auto makers are acting another way.

• Ford's M-E-L Div. is introducing two new small imports from Ford affiliates in Britain and West Germany, despite the unveiling of the compact Falcon.

• GM still is bringing in its English Vauxhall and German Opel for Pontiac and Buick dealers—at the same time it is planning next year to give these dealers, and Oldsmobile dealers as well, a domestically-made small car.

• Chrysler is expanding its line of Simca imports from France while it hopefully offers its new Valiant.

• **No Duplication?**—This is not entirely a case of split personality among the Big Three. The fact—generally recognized by Detroit—is that the trio of compact cars are not directly competitive with the most popular imports.

The compacts offer more room and conveniences than the best-selling imports, but they are priced at least $400 higher. Small-car imports such as the Volkswagen, Renault Dauphine, and British Ford's Anglia cover one segment of the market—so the thinking runs; the compacts are reaching for another segment. By far the greatest number of imports have wheelbases less than 100 in.—compared to between 106 in. and 109 in. for the compacts—or else they are sports cars such as the MG, Triumph, or Jaguar.

• **Still a Market**—Detroit's market projections also indicate that foreign imports—from the Big Three's overseas subsidiaries and European companies—could still carry considerable weight next year.

The total auto market here in 1960 will be an estimated 7-million cars, considerably above this year's expected 6.2-million. That should allow leeway for imports to do at least as well next year as now, without taking any sales from new U. S. cars. Thus, if there isn't going to be a drastic drop in imported sales, Ford, GM, and Chrysler want their share.

Foreign manufacturers go along with much of this thinking. Volkswagen, leading the pack with 74,000 registrations through August, is sure that the Big Three compacts are too big and too expensive to interfere with its market. Renault, with 56,000 registrations in the same period, says: "We don't think it's possible for the American people to make a mistake. Our car is more economical, more maneuverable in traffic, easier to maintain, more comfortable."

Foreign companies use Detroit's own forecasts to justify their optimism. If imports continue to hold their 10% share of the market next year—and the market proves to be 7-million units—then foreign-car sales should total around 700,000. That would be nearly 100,000 above 1959.

• **Market in Europe**—U. S. is only one of the world's principal auto markets. In fact, auto sales in Western Europe's six-nation Common Market are growing faster than sales here. Since 1955, however, U. S. auto exports as a whole have fallen from 254,000 to this year's estimate of slightly over 100,000. Against this grim background, Detroit executives are quietly hoping to regain lost ground with the new compacts.

Western Europe obviously is a key target. Both Ford and GM plan to assemble their compact cars in Antwerp (from partly or completely knocked-down shipments from U. S. plants). Chrysler will assemble its Valiant in Rotterdam. It says its Swiss distributor, who also assembles knocked-down cars, has already ordered a "substantial" number of Valiants. These will be sold, interestingly enough, by dealers who also handle Volkswagens.

• **The Prospects**—On the face of it, the West European market seems a logical outlet for compact car sales. There you have nearly 300-million people, 17-million cars on the road (more than half again as many people as in the U. S., with less than one-third as many cars), and annual car output of about 4.9-million units (mostly sold within Europe). Besides that, the wave of prosperity is leading consumers to replace motorcycles and motor bikes with cars.

But on closer look, the picture isn't as pretty as all that. While assembly in the Benelux countries will help the Big Three get inside Common Market tariff barriers, tax policies in some countries discourage sales of U. S. cars. France, for one, slaps tax penalties on ownership of any but the smallest cars. Britain's purchase tax—roughly 50% of the basic car price—forces most customers to buy smaller cars. On top of that, the U. S. compacts, somewhat small by our standards, are by European standards medium-sized and medium-priced.

Detroit figures that the largest market will be the Benelux countries, already the largest, and West Germany. That's

ENTER THE NEW

It Pays to See Victor CONTEST

Win a glorious, glamorous all-expense trip for two to London, Paris and Rome for the 1960 Olympics

50 *Prizes* **50**



First Prize: You board a Pan American Jet Clipper in New York . . . streak across the Atlantic to London . . . spend a few carefree days there and in Paris, the queen city of the continent. Then on to Rome and the Olympics.

Win first prize in the new "It pays to see Victor" contest and this fabulous, unforgettable European *holiday for two* is yours! You'll never forget seeing the thrilling ceremonial opening of the Olympics on August 25—or the grandeur and the glory that is Rome, the Eternal City.

Here's all you do to win. Complete the puzzle inside and mail your solution. Clues are plentiful (don't overlook the help on the back page). You'll have a chance to pick up *extra* clues if you stop at the Victor Booth at the 27th Exposition of Chemical Industries show in New York November 30—December 4.



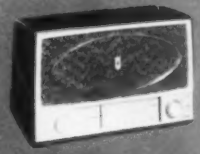
SECOND PRIZE:
Zenith Stereo Hi-Fi Console. This exquisite mahogany model will bring the finest recorded music to life. A breathtakingly beautiful addition to your home.



THIRD PRIZE:
Zenith Space Command Console 21" TV



10 FOURTH PRIZES:
Zenith Portable TV sets with 17" screens



15 FIFTH PRIZES:
Zenith AM-FM table radios

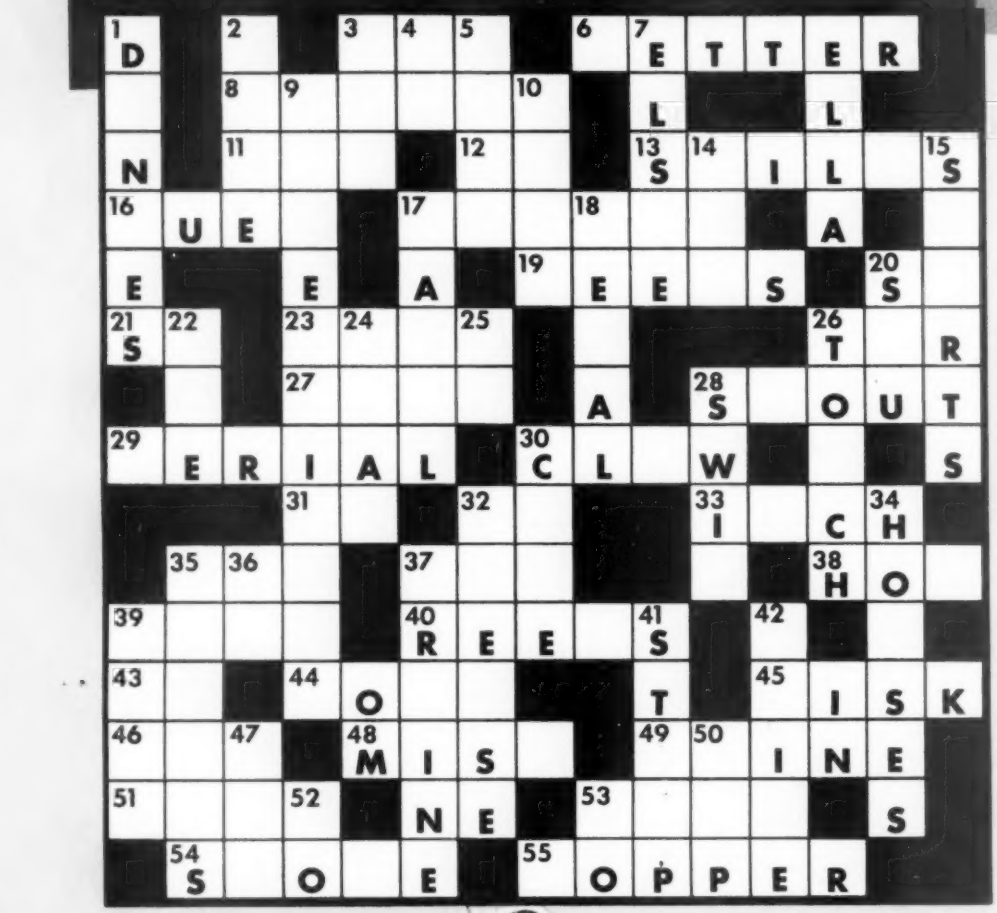


22 SIXTH PRIZES:
Zenith Transistor Radios

"IT PAYS TO SEE VICTOR"

Contest

it's Easy it's Fun!







OFFICIAL ENTRY BLANK
"IT PAYS TO SEE VICTOR" CONTEST,
Box 5907, Chicago 77.

Name .....

Title .....

Company .....

Address .....

City ..... Zone ..... State .....

HERE'S ALL YOU DO...

Study the clues carefully, then fill in the missing letters in the puzzle. Clues to some of the names or abbreviations of Victor chemicals in the puzzle are given in the story on the back page. Extra clues will be available in Victor's Booth at the New York Chemical Exposition at the coliseum. One word of caution: a few of the *regular* word choices *are* tricky. So, be careful. Winning entries will be selected on the basis of the rules given on the opposite page. The correct solution to the puzzle is locked in the vaults of The First National Bank, Lake Forest, Illinois.

IT'S A JET CLIPPER TOUR FOR

2 TO Europe

AND THE 1960 OLYMPIC GAMES

49 MORE WONDERFUL PRIZES!

CLUES ACROSS

3. Product of combustion.
6. Hospital patient should be glad to get this.
8. First two words of a truism known to buyers of chemicals (See 9 Down).
11. Very small round mark.
12. Greek letter associated with 3.14159.
13. One is enabled to get up and down with the help of the steps on these.
16. You play billiards with them.
17. Acid used in leather tanning and in dyeing textiles.
19. Percolates.
20. Is that ——?
21. One kind of thoroughfare (abbr.).
23. Abbreviation of a chelating agent used to control metallic ions in water.
26. Rocky pinnacle or peak.
27. Meat of calves.
28. There are certain conditions in which a hard blow may cause one to be broken off.
29. Not every —ERIAL is suitable for TV.
30. Bloody this may well be helpful in solving zoo keeper's mysterious death.
31. Letters of the chemical symbol of element combined in a sodium phosphate used in household cleansers.
32. Abbreviation of chemical intermediate used in organic synthesis.
33. Encouragement should be freely given to person who may I—CH to reach a worthy goal.
35. Victor has a —— of satisfied customers.
37. Tree of the genus Ulmus.
38. You'd expect to see one on a farm.
39. Prefix of phosphate used in liquid detergents.
40. Seeing these ahead, steersman is likely to avoid that stretch of water.
43. "A Streetc —— Named Desire".
44. European city which winner of "It pays to see Victor" contest will visit and attend 1960 Olympic games (European sp.).
45. Hazard.
46. Tear with violence.
48. Sharpshooter may blame this for his low score.
49. River in Germany noted for castles.
51. Phosphoric solution widely used for metal finishing and rust prevention.
53. Weaving frame.
54. It's likely that amount of insurance owner carries on this will vary with its size.
55. Young hoodlums cutting up on New Year's Eve may well regret letting fly with snowballs at passing ——OPPER.

CLUES DOWN

1. Instructor's college diploma will hardly be useful if she only has to teach D—NCES.
2. From those who tip him, cab driver makes quite a little on the —IDE.
3. Suitable.
4. South America (abbr.).
5. Prefix of a Victor chemical used in electroless nickel plating.
7. Girl's name.
9. Last three words of a truism known to buyers of chemicals (See 8 Across).
10. Term of respectful address to men (plural).
14. Abbreviation of phosphate used as mineral supplement and conditioner in foods.
15. Coaches often make use of such films in training their teams.
17. Deadly.
18. Junk dealer probably would be able to give you some idea of its worth.
20. French coin of trifling value.
22. Each time he drives, good golfer will see that this is in the right place.
24. F. D. Roosevelt is associated with the New ——.
25. Other nickname of fellow who might also be called Bert.
26. You're smart to proceed with care if you have to rely on this.
28. One might find this quite stimulating.
30. Arrived.
32. Aim of Victor Chemical is to —— its customers.
34. It's generally sad when they have to be destroyed.
35. Song poems.
36. Sink —— swim.
37. White fur prized for its fineness and pure color.
39. Prefix of an organic chemical used in pesticide formulations.
41. What the barber uses to hone a razor.
42. In certain cases, whitewashing is one way some people deal with ——.
47. Hole in the ground.
50. Lindbergh's —— across the ocean won him world fame.
52. When there's anything Victor can —— for you, just say the word!
53. Behold.

Rules

1. This is a contest of skill. Study the clue definitions carefully before writing in your answers. There is only one correct solution. If no correct solution is received, those most nearly correct, based on the clue sequence described below, will be selected as winners. Judges have been appointed by Victor Chemical Works, and they will consider all entries and determine the prize winners. By entering, entrants agree that the decision of the judges shall be final and binding. No entries will be returned. All entries become the property of Victor Chemical Works.

2. After you have filled in your answers neatly and clearly, fill out the official entry blank and mail the puzzle and entry blank to: "It Pays to See Victor" Contest, Post Office Box 5907, Chicago 77, Illinois.

3. All entries of solutions to the puzzle must be postmarked before midnight, December 15, 1959, and received before December 31, 1959.

4. Entries shall be limited to persons over 21 years of age, and who are residents of the United States, except employees of Victor Chemical Works, its advertising agency, and members of their families. Only one entry per person will be accepted.

5. The judges will select as prize winners those persons whose entries rank highest. They will select as the first prize winner, the entrant who submits the correct or most nearly correct solution. The clues Down numbered 26, 28, 34 and 42 must be answered correctly or the rest of the puzzle will not be judged. In case of ties, the ties will be resolved in favor of the entrant who submits the correct answer to Clue 6 Across, then Clue 13 Across, then Clue 28 Across, and so on until no ties remain. Should ties still exist, tied entrants will be required to complete in not more than 25 additional words the statement, "In the ..... industry, it pays to see Victor because . . .". Such statements will be judged on the basis of originality and aptness and duplicate prizes will be awarded in case of ties.

6. There are 50 prizes, as shown elsewhere in this announcement.

7. Contest is subject to all Federal, state and local regulations.

8. Winners will be notified by mail about March 1, 1960.

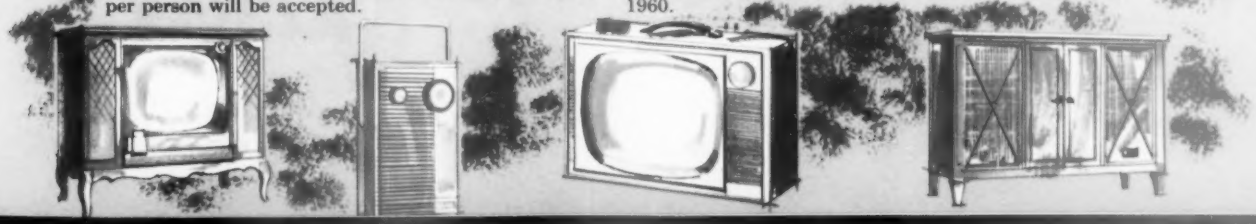


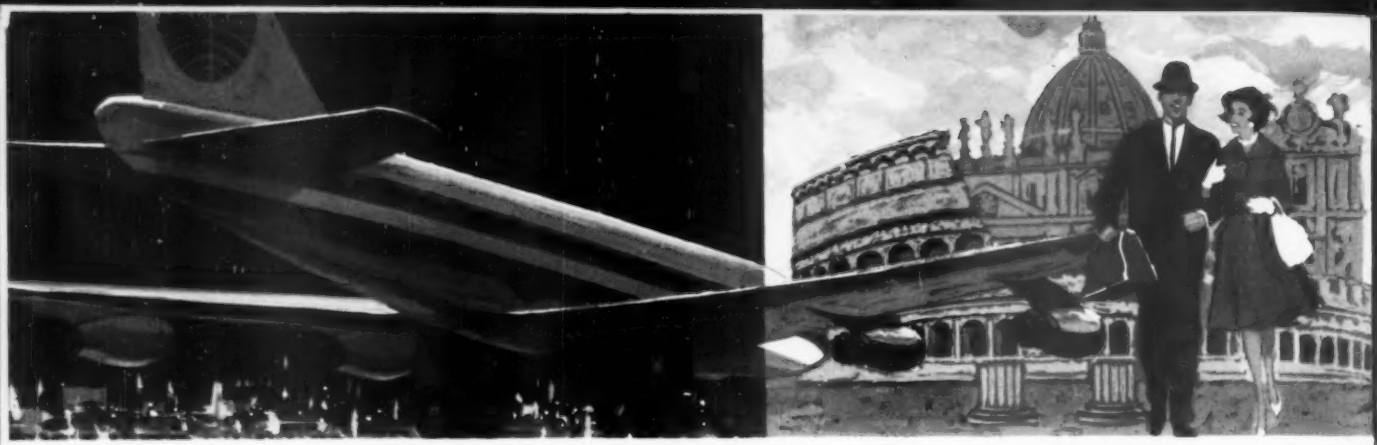












from New York to Europe

"IT PAYS TO SEE VICTOR"



• Let your imagination take wings. Imagine, for a moment, you're the winner of first prize in the new and exciting "It pays to see Victor" contest. Last call for London, Paris, Rome . . . and the 1960 Olympic games. So, climb aboard this gleaming Pan-American Jet Clipper (along with your partner), and zoom off into the wild blue.





• Though you leave your cares behind as you sweep silently over to Europe . . . the part Victor chemicals play in your life will be much in evidence, even "over there." Look around the cabin as you glide over the Atlantic. The aluminum you see is all bright dipped in a solution containing phosphoric acid. And aren't your stewardesses pleasant . . . personable . . . and lovely to look at! Part of the pleasure of their appearance lies in their uniforms—dyed to a beautiful shade in a bath using formic acid as an acidulant.





• After a few delightful days seeing the sights in London town, you hop over to Paris. Gay Paree—where cuisine is king! Even here, though, dishes have to be washed. And to help assure clean, sparkling results, chlorinated trisodium phosphate is in the dishwashing compound—just like "back home."



• Now, on to Rome and all the excitement and pageantry of the Olympics. Our athletes, with you cheering them on, are sure to pull down a record number of gold medals. One reason for their superiority is that their diet is rigidly watched . . . and well balanced. Tricalcium phosphate added to foods for mineral enrichment helps keep our men in the pink. Minor aches and pains are inevitable, of course. But they're quickly bandaged. Fortunately there's never a shortage of cotton when methyl parathion is the pesticide. PARA is sure death to boll weevils.



• We hope, when you get to Rome, you'll do as *our* "Romans" do—enjoy yourself and see in examples all around you that "It pays to see Victor."

VICTOR

Dependable Name in *Chemicals*

for 61 Years.

based on a whole complex of factors—tariffs, taxes, and living standards. Even then, sales won't be easy.

• **Poor Bets**—These days Germans are buying larger, higher priced cars such as the Mercedes 180 and 220 and the Opel Kapitan. The compacts would be in the same price range—around $3,500. But this is a tough league for a U.S. company to play in, considering Mercedes' and Opel's high reputation and extensive service facilities. A U.S. company there would have trouble selling enough cars to support the kind and number of service shops that the Germans are used to.

Both France and Italy are poor bets. Trade restrictions are so tight that even Volkswagen can get only about 3,000 cars yearly into each of these countries. (By contrast, Renault shipped 35,000 cars into Germany in the first half of this year.) In France, nearly 80% of car output this year has come from companies such as Renault, Citroen, and Simca that produce cars far smaller than the compacts. In Italy, Fiat primarily with small cars dominates the market.

To make matters worse, the trend in Britain is toward smaller and smaller cars—with wheelbases less than 90 in. and prices around $1,700 (including tax). One reason behind this trend is the snarled traffic situation where a small car has a clear advantage. The compacts are high-priced for Britishers (equivalent of around $5,600) and also are too large to capture a mass market.

• **Latin America**—The Big Three are likely to have greater success in Latin America—a region of 20 countries that now takes about 50% of U.S. car imports. But the situation varies from one country to another.

• **Down Mexico Way**—Mexico is perhaps the most promising. All three companies have plants there. They expect to assemble their compacts from a combination of U.S.-made and Mexican-made parts.

Mexico's tariffs so far have favored small cars. As a result, most of the major European producers have Mexican plants, largely to make small cars. More than 20 makes (including Japanese) are on the market.

Even so, Mexicans are talking up the compact cars in a big way. One nice sales help: Pres. Eisenhower's gift of a Ford Falcon to Pres. Lopez Mateos during the latter's visit here a month ago.

U.S. companies have other advantages. Through years of doing business in Mexico, they have built a good reputation. The government also is treating the compacts on the same footing as smaller European cars—in terms of quotas and tariffs. One oddity, though, is that Ford will be assembling both its English Ford and new Falcon in Mexico. Similarly, Chrysler will be handling the Simca and Valiant.

• **Caracas Potential**—In Venezuela, the Big Three have been having a tough time. Four years ago European cars hardly made a dent in the market, but this year they will account for about 55% of total sales. A big reason is traffic congestion in the capital city of Caracas (which accounts for about half of the country's auto sales). In addition, oil-rich Venezuela has become a fair market for "second" cars. And the customers generally want the smaller European vehicles.

But Venezuela now looks like a good prospect. The compacts may be able to recapture the share of the market that Detroit formerly held. With import duties hitting standard-sized U.S. cars, there's more incentive to push the compacts on the market. Chrysler will assemble the Valiant, as well as Simca, in its Caracas plant. GM is expected to produce the Corvair locally.

• **Long Way Off**—Elsewhere, sales of the compacts are mostly a distant goal.

In Cuba, Chrysler's Havana assembly plant is ready to move into compact production. But any move awaits a cooling-off of the political situation.

Argentina and Brazil—two potentially large markets—are eliminating practically all imports, promoting local manufacture of cars from local resources.

Take the case of Brazil. GM and Ford have truck plants. Chrysler, through Simca's local production, also has a foot in the market. But—say Sao Paulo observers—Brazil has all the small cars it can use. Volkswagen and Renault are just two of the local producers of small cars. Moreover, the Brazilian ideal for a car is a large, flashy American car with tail fins. These, costing $15,000 or more, are almost unobtainable. Thus, even if the Big Three later produce the medium-sized compacts locally, sales may not grow rapidly.

Argentina, like Brazil, slaps high tariffs and surcharges on dollar imports. Even a compact car will cost Argentines more than $14,500.

"If the Americans had produced a car weighing less than 2,200 lb. with a factory price under $1,600," says a Buenos Aires dealer in European cars, "they would be a real menace to European models. Argentines, given the choice and the right price, most likely would prefer U.S. cars."

The Big Three, already producing trucks in Argentina, hope to turn out compacts in the future. But their decision partly hinges on signs of a stronger economy for Argentina.

So, on surveying the map, Detroit doesn't expect the compact cars to send sales soaring in overseas markets. Most of the Big Three's brass share the restrained optimism of a Chrysler executive: "We expect to sell more cars internationally with the Valiant than we would without it." END

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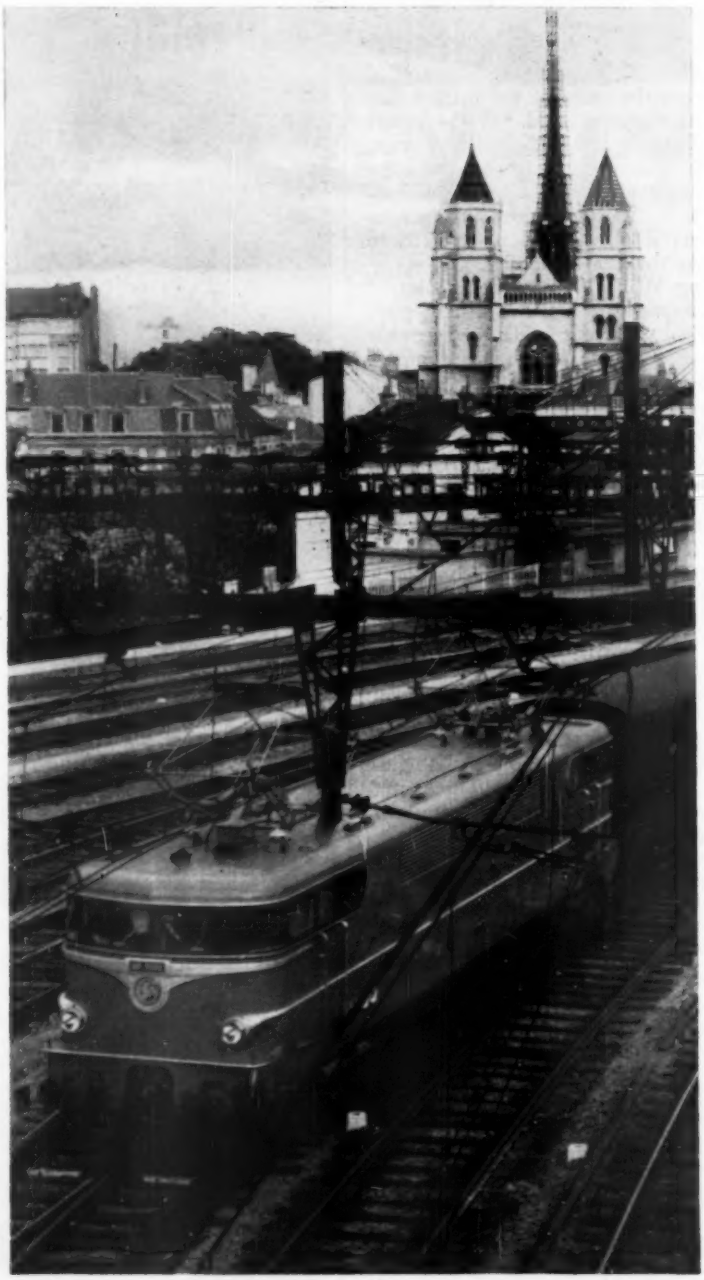
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Today, French industrial production is up 80%, as compared with ten years ago, thanks in part to the national policy of encouragement of the railroads. Freight traffic has increased by 65% —with less equipment than before the war. And France has become even more of a power to be reckoned with in world trade.

In France — and around the world — railroads are recognized as the most productive form of general transportation, with the lowest true costs.

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In the United States, by contrast, public policies tend to ignore this basic truth.

Here, the government appears indifferent to the strength and stability of the railroads while it promotes and encourages the railroads' competition.

Railroads are burdened with discriminatory taxation — while their competition uses highways, waterways and airways built and maintained by the government.

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In Business Abroad

• • •

Guinea's Socialist President Reaches Washington to Discuss Development Plan

Sekou Toure (picture), President of the Republic of Guinea and one of the most influential leaders in West Africa, arrived this week in Washington for talks with Pres. Eisenhower and other U.S. officials.

Washington attaches considerable importance to Toure's visit and hopes to counter Soviet-bloc influence with an over-all agreement for economic cooperation between the U.S. and Guinea.



When the French withdrew from Guinea a year ago, the Reds moved into the vacuum fast. Moscow extended a $35-million line of credit, Czechoslovakia shipped small arms, and East European trade missions have been trooping into the country.

Washington wants to get into the act with a development assistance program. A survey of Guinea's economic potential to establish priorities for projects would come first, followed by more specific development projects.

Toure is a doctrinaire socialist and has embraced a policy of "positive neutralism," but is considered as friendly to the U.S. as Indonesia's Soekarno and Egypt's Nasser—also "neutralists." He's apparently playing both sides to get as much economic assistance as possible.

• • •

Renault May Move Into Arab Car Market; Ceases Assembly of Dauphine in Israel

Relations between France and Israel, usually good, have taken a turn for the worse. The cause: a decision by the French government-controlled auto maker, Renault, to cease assembling its Dauphine model in Haifa. (Kaiser Frazer of Israel, Ltd., has been doing the assembly work under contract.)

Both Paris and Israeli observers say the Renault move is a prelude to its tapping the Arab market, estimated to take 17,000 Dauphines a year. The Israeli market is rated at only 1,000 a year. An Arab boycott of companies doing business with Israel prevents Renault from selling in both areas.

Israelis are incensed with the French action, terming it a victory for the Arabs in the economic cold war against Israel. They point out that three other foreign companies have pulled out of their country under similar pressures.

Renault officials, for their part, insist that the only reason for canceling the contract is the purported unwillingness of Kaiser Frazer to come through with a long-term commitment to continue assembling Dauphines.

• • •

Big British Steel Company Rushes New Issue in Wake of Tory Victory

Following the sweeping Conservative election victory, a major British steel company is heading for the market to raise capital. It's the first such move since 1958.

Less than two weeks after the election, **Stewarts & Lloyds, Ltd., announced it will seek $39.2-million with a "rights" issue. Shareholders will be offered seven shares for each 20 they now hold.**

Stewarts & Lloyds was expected to be the first on the market if the Conservatives won, thereby removing the Labor Party's threat to renationalize the steel industry (BW—Oct.24'59,p99). But the company's speed caused surprise, most observers thinking it would wait for the market to settle. No other company is expected to go to the market before next year.

• • •

Pfizer to Build $500,000 Plant In Egypt to Make Pharmaceuticals

Charles Pfizer & Co., Inc., has signed an agreement with the United Arab Republic to build a $500,000 pharmaceutical plant in Egypt. This is the first private U.S. manufacturing investment in the UAR since the Suez crisis.

Pfizer will put up 60% of the capital, Egyptian investors the remainder. Under the agreement, this facility, which will turn out antibiotic compounds, will be the only one of its kind in Egypt and will be protected from import competition. The company will also benefit from certain tax exemptions.

• • •

Business Abroad Briefs

During the Colombo Plan meetings in Indonesia this week, several member countries will hold informal talks on a program of regional economic cooperation that may lead to a common market in Southeast Asia. Malaya has taken the lead, having broached the idea with Indonesia and the Philippines. **The suggested approach is through political ties and cultural exchanges, then into economic agreements.** U.S. and Asian observers feel that any solid common market arrangement is years away.

With tourist trade steadily increasing, Mexico City is **building two new hotels**—the Alameda and Maria Isabel. Costing $6-million each, the hotels were engineered by Leonardo Zeevaert, who "earthquake-proofed" a Mexico City skyscraper that came through the 1957 earthquake unscathed.



Would-Be Users Want Still More

The teeming area that the Chicago Tribune calls Chicagoland is a rich market for natural gas, especially for home heating. The reason is simple—the comparative cheapness of natural gas as against other fuels.

Northern Illinois Gas Co., one of the gas utilities serving the area around Chicago, has put that price edge in terms of what it means to Chicagoland customers. The company compiled this table to show the comparative cost (at Oct. 1, 1959 prices) of heating an average six-room house, of approximately 1,200 sq. ft., with various fuels:

Fuel	*Cost*
Gas	$126
Stoker-fired coal	129
Hand-fired coal	181
Oil	189
Propane	264
Electricity, heat pump	270
Electricity, resistance heating	539

It's no wonder, then, that the area's utilities have been eagerly seeking more gas to sell to more customers.

It's no wonder, either, that two gas transmission companies wound up this month in almost a dead heat as they raced to pipe in more fuel (map), in the climax of a contest that has involved four years of bitter wrangling among companies out for a bigger slice of the rich market.

• On Oct. 7, Midwestern Gas Transmission Co.'s Pres. N. W. Freeman turned on a valve at Joliet, Ill., at the northern end of a new 30-in., 350-mi. system that by yearend will be pumping into the Greater Chicago-Gary area 260-million cu. ft. a day of natural gas from onshore and offshore wells in the prolific gas-producing areas of Texas and Louisiana. Midwestern is a wholly owned subsidiary of Tennessee Gas Transmission Co.; its pipeline joins TGT's main system at Portland, Tenn.

• On Oct. 22, another valve-turning at East Dubuque, Ill., put into operation Northern Illinois Gas Co.'s new 22-in., 140 mi. pipeline from East Dubuque to Des Plaines, near Chicago. This adds another 50-million cu. ft. per day—purchased at East Dubuque from Northern Natural Gas Co., which pipes up gas from the Southwest.

• **More, More**—This huge new supply of 310-million cu. ft. per day—which the two companies spent a total of $60-million to get—will increase the Chicago area's natural gas supply by one-fourth by yearend. But it will leave one of the country's hungriest gas markets still crying for more.

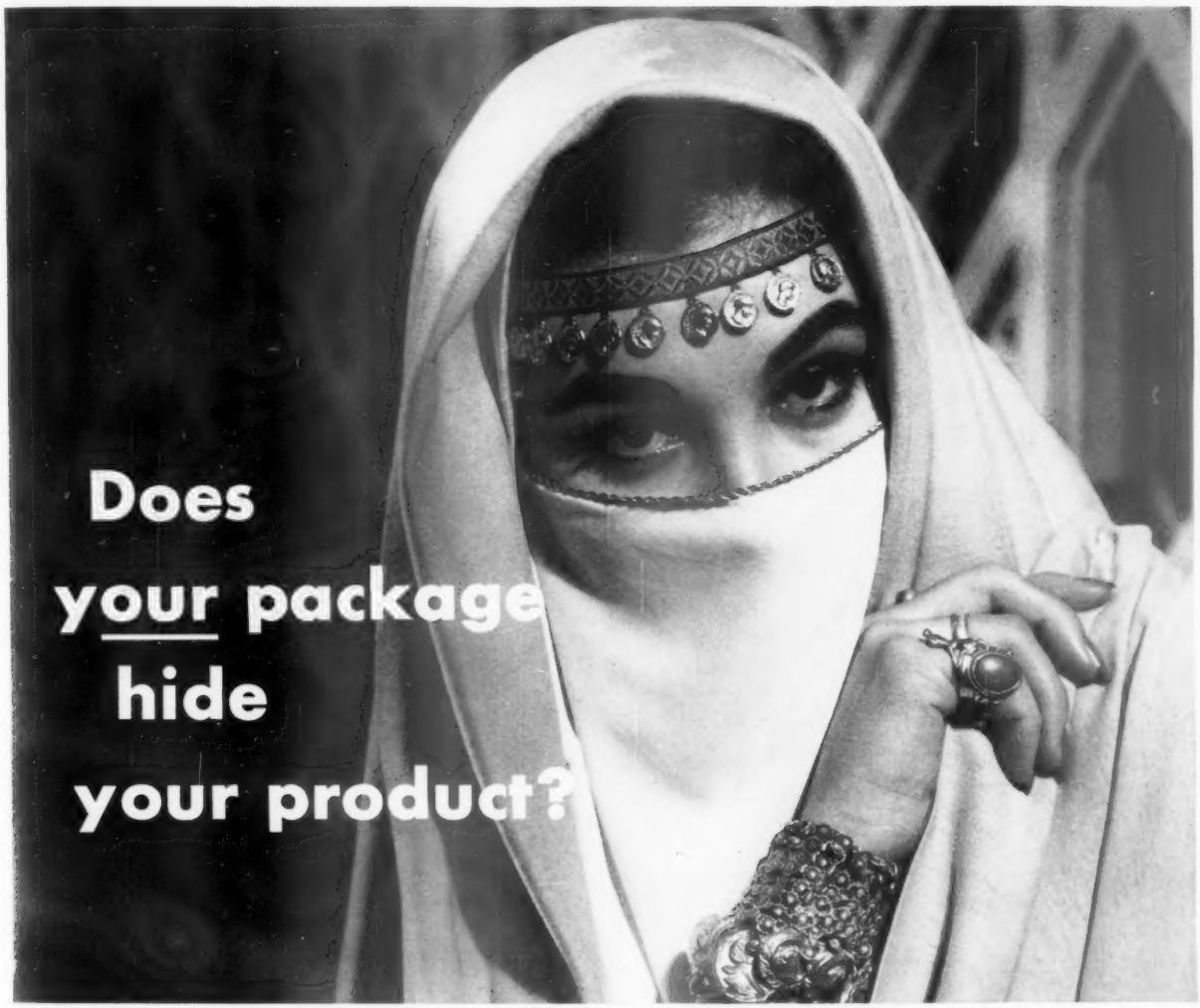
Within a year or two, though, there'll be a lot more flowing through the pipes for the gas-hungry citizens of Cook and adjacent counties.

• **Peace Without Victory**—For the two pipeline openings not only bring a brand-new source of gas into the Chicago area for the first time. They also mark the advent of peace in the long and bitter war for the Chicago market—and signal an impending settlement of the battle to tap Canada's rich gas supplies for the U.S. Middle West.

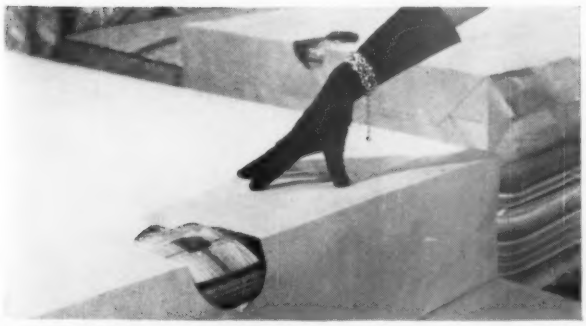
In the Chicago battle, no company has grabbed off as much as it wanted from this lush and growing market. But the parties involved are now all at peace with each other.

Within three years, peak flow into the Chicago area will be at least 1,694-million cu. ft. per day—and all pipelines concerned predict an even higher figure.

• **Previous Status**—Before the new sources were opened up, Peoples Gas



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PACKAGED FOR THE SHOWROOM—Mattresses in the Bemis Visi-Matt® window bag are completely protected, yet customers can *see* construction, pattern, color, brand name. Sight identification in the warehouse, too. No need to tear the bag . . . product stays clean, fresh and salable! Need a *flexible* packaging idea?



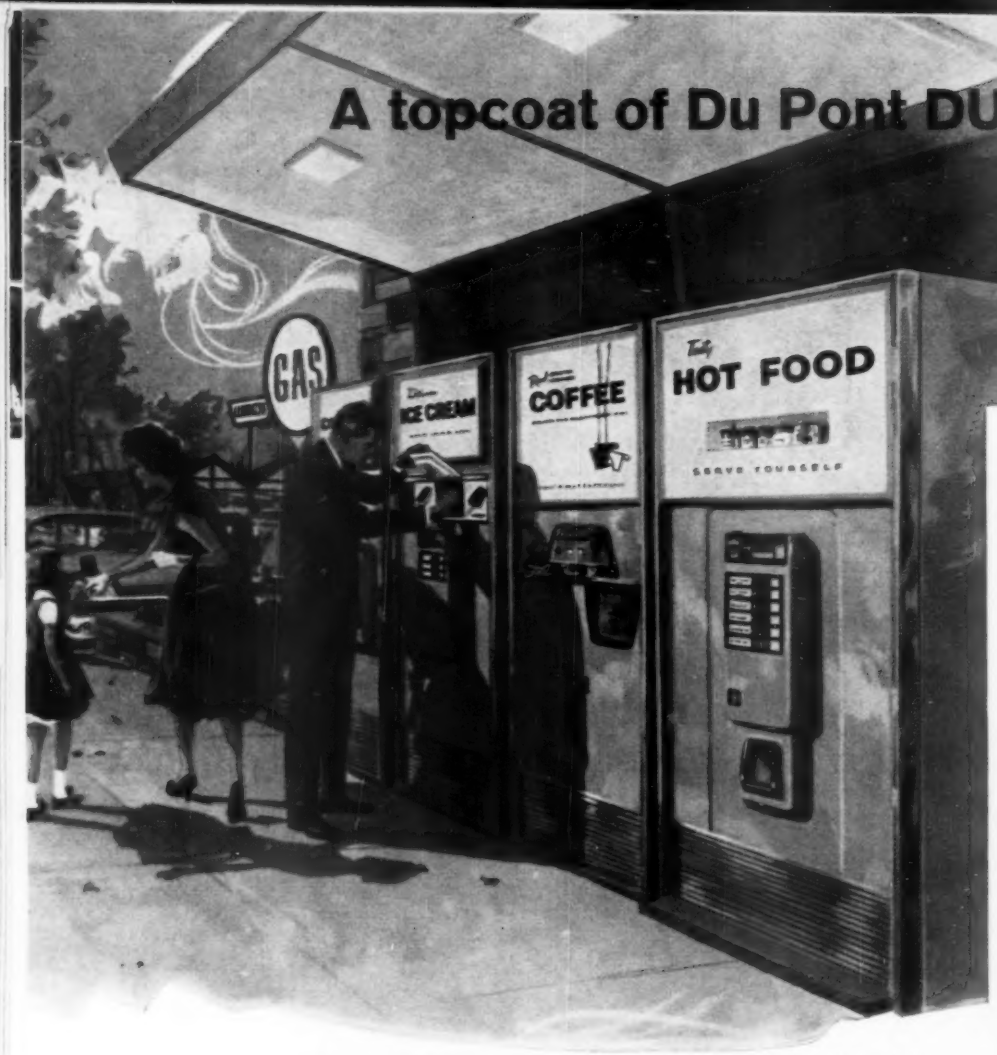
SOME 'TATERS! Crystal-clear polyethylene gives potatoes in Bemis Drawcord Bags a personally-selected-and-washed-by-the-grower look. And Mrs. Housewife buys confidently because she can *see* the quality from top to bottom. Hundreds of uses for the emptied Drawcord Bag. See what seeing does for *your* product. See Bemis.

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A topcoat of Du Pont DULUX® Enamel ke



MODERN CONCEPT IN VENDING is multiple units serving a wide variety of foodstuffs and coordinated in design and color. These new models wear a topcoat of durable, lustrous "Dulux" enamel in "Buckskin Beige" . . . a color recommended by Du Pont color specialists for maximum sales appeal. Du Pont also custom blends over 30 colors to individual customer specifications for Vendo.



DURABLE "DULUX" Enamel will keep this newest cooler for Coca-Cola* looking fresh and attractive. "Dulux" on thousands of coolers in service resists chipping and cracking despite sun, weather and temperature extremes.



TWO-STAGE FINISHING of vending equipment for Coca-Cola* involves two spray operators, using the Du Pont steam-spray system. One man sprays the lower half of the equipment with "Dulux"; the other completes the job as the conveyorized parts move in front of him. Du Pont Pink Primer is used exclusively by Vendo for a first coat. The steam-spray system, which uses superheated steam instead of compressed air, puts on more paint with one pass of the spray gun . . . cuts overspray and waste.

*"COCA-COLA" IS A REGISTERED TRADEMARK OF THE COCA-COLA COMPANY.

Du Pont Finishes Service Package—**FORMULATION, APPLICATION,**

keeps VENDO equipment "dressed up" for sales

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- Rugged "Dulux" retains its beauty under toughest service conditions
- Help on every phase of finishing is typical of the cooperation you can expect from Du Pont

Durable, eye-catching finishes are important to The Vendo Company of Kansas City, Missouri, world's largest manufacturer of automatic merchandising equipment. Their selection—rugged "Dulux" enamel, specially formulated and tested for sales appeal and durability by Du Pont research.

Du Pont's custom blending service also helps Vendo match the rigid color specifications of its many customers. And Du Pont service men make sure these finishes are properly applied. They frequently study production line operations... run checks on both equipment and finishing materials . . . give on-the-spot technical advice. Result: today Vendo uses "Dulux" *more* efficiently than ever before.

Like Vendo, most manufacturers can benefit when experienced Du Pont personnel work with them to assure efficient use of industrial finishes. Here is experience *in depth* . . . not only from technically trained Du Pont salesmen and service men, but also from the field service laboratories of the world's foremost paint-research organization.

Du Pont specialists have the background and "know-how" needed to apply finishes by any method, in practically any industry. They'll recommend a finishing system that can solve your particular problem . . . work with your personnel on a continuing basis. Best of all, *they can help you develop better finishing at lower costs!*

If finishing is a key part of your production, it will pay you to see a Du Pont representative. Write: E. I. du Pont de Nemours & Co. (Inc.), 2502 Nemours Bldg., Wilmington 98, Delaware.



VISCOSITY TEST is made in the paint circulating room where "Dulux" enamel and thinners are blended in 16 special 60-gal. mixing tanks. Du Pont service men frequently check these mixtures before they are piped down to the spray line.



SILK SCREENING with gleaming "Dulux" white enamel puts the finishing touch on these smartly designed vending machines for Coca-Cola*. This high-hiding white covers the red in just one coat . . . *stays* white over an extra-long service life.

KEY VENDO PERSONNEL meet regularly with Du Pont representatives to review ways and means of improving efficiency, cutting costs. Here George Osborn of Du Pont finishes research discusses new techniques and product developments with (right to left) S. L. Childers, vice president in charge of operations; L. G. Orr, purchasing department; M. J. Asch, finishing supt.; G. H. Hansen, Jr., director of engineering; J. H. Pearce, plant supt.; O. J. Spawn, Du Pont regional technical supervisor; C. T. Stiers, paint-process engineer; P. L. Mitchell, Du Pont technical representative; C. J. McKeown, Du Pont salesman.

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Light & Coke Co.—through its subsidiaries, Natural Gas Pipeline Co. of America and Texas Illinois Natural Gas Pipeline Co.—had the entire urban Chicago market and a large part of the market in the general area. Peak flow was then 1,284-million cu. ft. per day. (Peoples, which gets a share of the new supply, is still the only company authorized to distribute gas in Chicago proper; since it owns the complex grid in the city, this is only logical.)

Northern Illinois Gas Co., serving 281 communities in 20 counties outside of Chicago, then got all of its gas supplies from Peoples' two pipeline subsidiaries.

Michigan Wisconsin Pipe Line Co. brought up its own gas from as far as Texas, but this company serves only communities outside the immediate Greater Chicago area.

• **Biggest Slice**—The biggest share of the new pipeline business goes to Midwestern Gas Transmission, which began construction of its 350-mi. pipeline early last summer, and completed it a month ahead of schedule. The pipeline cost about $47.5-million; and in addition, Midwestern's parent, TGT, spent some $34-million for added facilities to supply Midwestern, and plans to spend more later.

By the end of this year, the pipeline will be bringing up 260-million cu. ft. of gas per day; but Midwestern Gas Transmission is authorized to increase its throughput—by adding more compressor facilities—to 360-million c/f/d by 1962.

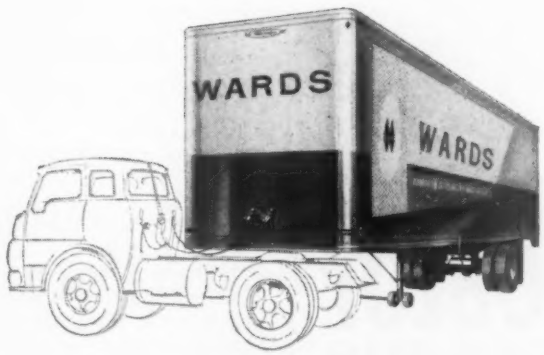
Three customers will take all of MGT's new gas supply. By the end of 1962, the daily flow will be distributed this way: Northern Indiana Public Service Co., serving Gary and other communities, 200-million c/f/d; People's Gas Light & Coke Co., 100-million c/f/d; Northern Illinois Gas Co., 60-million c/f/d.

• **Second Source**—Northern Illinois Gas, in addition to the 60-million c/f/d it gets from MGT, will be bringing in 50-million c/f/d to communities close to Chicago, through its own pipeline to Des Plaines, built at a cost of $12.5-million. Shortly, it expects to ask the Illinois Power Commission for permission to buy at least another 40-million c/f/d for delivery next year. All this will boost the throughput of the Ni-Gas system by 37½%.

• **Canadian Solution**—Though Midwestern gets the biggest slice of the pie, its deal is something less than the grandiose plan originally conceived for it. TGT Pres. Gardiner Symonds originally envisioned tapping vast Canadian supplies by hooking into the then unbuilt Trans-Canada pipeline. TGT did make a deal to tap the Canadian gas at Emerson, Manitoba, but this project ran into fierce opposition from existing

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pipelines in the area Midwestern would have crossed.

The screams of "invasion of our territory" came principally from Northern Natural Gas Co., Michigan Wisconsin Pipe Line, and Peoples of Chicago.

But this battle, too, is nearing an end. A final solution is expected shortly from FPC, which will give Midwestern a part of what it wanted. FPC is expected to authorize Midwestern to build a 504-mi., $52-million pipeline from Emerson to Marshfield, Wis., and to permit Michigan-Wisconsin to extend its complex to Marshfield at a cost of $24-million.

Coal Industry Lashes Back

Drive against rival fuels includes plea for lower freight rates, publicity for new equipment, and plea to Congress for what it calls an even break with competitors.

A fight between the oil industry and coal producers before the Interstate Commerce Commission this week called attention to coal's renewed competitive fight for its life.

The issue before ICC: whether a freight rate reduction on coal hauled from Appalachian fields to East Coast utilities should remain in force. The coal and rail industries had won temporary approval of reduced rates, and coal producers had cut their prices, in a move to keep East Coast utilities burning coal instead of switching to fuel oils.

The Empire State Petroleum Assn., representing 275 oil marketers, testified that coal freight rate reductions would unfairly force down the price of residual oil in market competition and would drive up the price of higher-grade petroleum products.

ICC examiner Edward L. Boisseree within a month will report to the commission, which will then uphold or override the earlier rate reduction.

• **Broad Battlefront**–The freight rate battle is only an acute phase of the coal industry's battle for markets. Officials have put their case before the Joint Economic Committee of Congress, are going to the public with new selling arguments, are lobbying against residual oil imports, and are seeking Congressional adoption of a fuels policy that would keep coal in a healthy place in the economy.

As part of an industrywide publicity campaign, coal producers put on a press show last week at Fairview, W. Va. A Consolidation Coal Co. mine and preparation plant was the center of attention. This $20-million plant includes both new mining equipment and new processing machines and techniques. Another display was a continuous mining machine that combines sorting, grading, conveying, and processing operations.

The National Coal Assn. is bringing in a new president, Stephen F. Dunn, presently vice-president of Washington operations of the National Assn. of Manufacturers. Dunn will take over top executive duties from ex-Rep. Tom Pickett of Texas, who will become the association's legislative representative.

Coal's loss of markets to other fuels has been a trend for several years. But the blow that prodded coal producers into action came last spring, when Eastern steam plants showed marked signs of switching to residual fuel oil. Utility plants are equipped to switch from coal to oil or gas–and do so whenever it is economical to switch.

• **Lower Rail Rates**–The coal-handling railroads filed their lower rates with ICC on the grounds the lower tariffs were needed to hold existing coal markets. Coal mines dropped the mine-head price 25¢ per ton. This meant that a ton of coal could be laid down in the New York harbor area for about $9.28 a ton, cheap enough to persuade most steam plants to stay with coal.

New York's Empire State Petroleum Assn. immediately protested to ICC and asked for an investigation. The agency allowed the lower rates to go into effect, but ordered the hearings now in progress in Washington. Betting is that ICC will approve the rate cuts.

This is only one facet of the mines' fight for markets. The electric utility industry is still coal's biggest target. It also is coal's best customer, at 165-million tons a year now, expected to grow above 200-million tons in the future.

• **Industry Goals**–Starting at the top, coal industry goals are these:

First, the establishment of a national fuels policy study. This, at White House and Cabinet level, would give coal a forum at which to argue for (1) more curbs on low-cost residual fuel oil from abroad than the Administration slapped on last fall, (2) federal restrictions on the use of natural gas, and (3) a checkrein on government assistance to the embryonic atomic power industry.

To push its program, coal interests created a new association, the National Coal Policy Conference including railroads, the unions, and the utilities.

The coal policy conference is also spearheading the National Coal Assn.'s drive to hold and win customers. **END**



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Two Critical Looks at



Frank C. Pierson
Swarthmore College
FOR CARNEGIE CORP. OF NEW YORK

"On a number of counts, the general quality of the work done at business schools and other institutions in the business area appears sorely deficient."



A few big graduate schools give a fine business education. The trouble is in the under-

Here both studies find that faults like these

- **Low caliber students**
- **Poor basic general education**
- **Business courses too vocational**

To upgrade the quality of business education in these

- **Stiffer admissions requirements**
- **Tougher grading**
- **In undergraduate schools, at least half the subjects outside business area**

They Prescribe More Education,

A couple of reports coming out this week are going to knock the stuffing out of the business schools.

For some three years, research groups sponsored by the Ford Foundation and the Carnegie Corp. of New York have been taking a searching look at college-level programs in business administration. The results paint a dismal picture of business education in America.

The Ford study, Higher Education for Business, is by R. A. Gordon, professor of economics in the School of Business Administration at the University of California (Berkeley), and J. E. Howell, associate professor of economics at Stanford University's Graduate School of Business. The Carnegie report, The Education of American Businessmen, is by Frank C. Pierson, professor of economics at Swarthmore College, and 13 contributors.

• **Interchange**—The two research groups worked separately. Although they swapped data, they reached their conclusions independently. Yet they came up with the same basic finding: Most business schools are doing a very poor job. All too often they give a sort of white-collar vocational training instead of real higher education.

The reports differ in many details. Their recommended solutions are not identical. Neither are their statistics, despite the exchange of information.

The Carnegie report is milder. Pierson takes more pains to point out extenuating circumstances: Other professional schools, like law and engineering, have problems, too. Some of the defects of the business schools are common to all of American higher education. The blame rests on liberal arts faculties and university administrations as much as on the business schools.

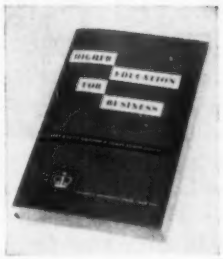
• **Indictment**—Over all, though, the two studies tell the same story. It adds up to a scathing indictment of undergraduate business education—and of much of the graduate work, too.

The reports comment on junior colleges, night and extension schools, and management development programs, but they train their big guns on the schools that hand out business degrees. This branch of business education is big business in America. About one-seventh of all the bachelor's degrees being given are in business. In 1957-58 there were some 50,000. The total of bachelor's, master's, and doctor's degrees in business that year—more than 55,000—was nearly four times the total 20 years before.

About 160 universities—typically, the state and big city universities—have formally organized units called schools or colleges of business. In addition, business degrees are given by more than 400 college and university departments and divisions that are not organized as separate schools and by more than a score of technical institutes.

Both reports find that the departments and divisions are, on the average, inferior to the schools and colleges. In fact, the studies suggest, many of them —particularly some of the smaller liberal

the Business Schools



"What passes as the going standard of acceptability among business schools is embarrassingly low, and many schools of business do not meet even these low standards."



R. A. Gordon
University of California (Berkeley)



J. E. Howell
Graduate School of Business, Stanford University
FOR FORD FOUNDATION

graduate schools and the ones that combine undergraduate and graduate work.

are common:

- **Superficial teaching**
- **Neglect of fundamental research**

schools, they recommend:

- **Less specialized business courses**
- **Emphasis on principles, analysis, problem-solving**
- **Pioneering research concentrated in a few schools**

Less Business

arts schools—should quit teaching business administration altogether.

• **Dominant Element**—Even so, the criticisms voiced in the reports are aimed primarily at the 160 schools and colleges of business that dominate the field. They award about three-fourths of the bachelor's degrees and nearly all the graduate degrees in business. The students who get doctorates from them are future teachers of business subjects. Thus these schools "ultimately set the pace and tone" for all formal business education.

Within this group, virtually the only ones that come out well in the reports are the handful of professional schools that operate only on the graduate level, such as those at Harvard University and Massachusetts Institute of Technology. While far from perfect, this group rates among the best of American business schools, the reports say.

• **Bill of Specifications**—The others, with only a few exceptions, are not providing the kind of education tomorrow's businessman will need." Among the specific charges:

Academic standards are low. Business schools do not get the brighter students. Judged by intelligence tests, undergraduate business students rate near the bottom of the academic ladder, along with students of education and agriculture. Many of them are taking business because they think it is easy or "practical." The undergraduate business schools, in other words, have become the dumping ground for inferior students who probably should not be going to college at all. Graduate business students are also below the average.

Business school faculties are not top-flight. Often they are poorly trained and buried in their own specialities.

The business schools are not giving their undergraduate students a basic general education. Many, says Pierson, "are graduating students who have had but the slightest exposure" to such subjects as English, mathematics, history, and the sciences.

• **Too Many Courses**—Courses in business subjects are pitched at a low level, and there are far too many of them. More than half of the schools studied intensively by Gordon and Howell had between 40 and 80 courses; one school offered 188. As a result, business courses tend to be narrowly vocational. As horrible examples of over-specialization Pierson cites "hotel front-office procedures" and "principles of baking: bread and rolls." Some colleges even teach typing and bookkeeping.

Teaching methods overemphasize description of organizations, procedures, and practices. Too much time is spent telling students "what business did yesterday and the day before."

Research also tends to concentrate on what business does rather than why or what it might do better. Gordon and Howell say that "more significant knowledge of ultimate value to business has come out of the nonbusiness departments of the university than out of the business schools. This is true . . . even if we exclude the physical sciences and engineering."

• **What Goal**—The chief problem of the business schools, both reports agree,

vital...

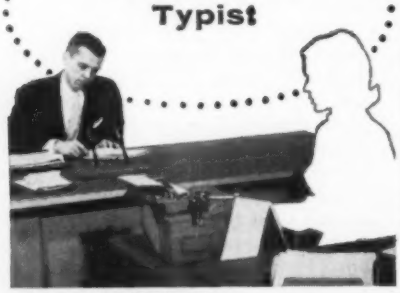
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is that nobody knows what is the right education for business. The authors aren't completely sure either, but they have some ideas about it.

The business schools, they think, should be preparing their students for managerial and upper-level professional jobs in organizations, both business and nonbusiness. Most American businessmen never studied business administration, they concede. But the number who did is growing. Many business school graduates will become executives. Even those who end up in lower-level jobs will need a lot of education as business gets more and more complicated.

This education should be for a whole career, not for a first job—or even a second or third. Four years isn't long enough for a general education that can be applied whatever the students do and for specific job training, too. Nobody can predict what jobs students will hold over the course of their careers. And business procedures change so fast that specific skills will soon be out of date anyway.

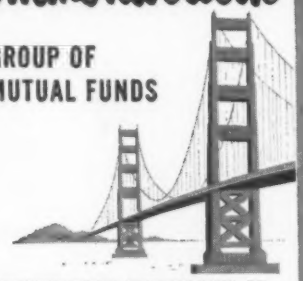
• **Less Specialization**—Therefore, the reports urge, there should be no more specialization than is absolutely necessary to get a start. Both studies admit that actual recruiting practices don't always jibe with top management's call for broadly trained people. But, they claim, industry's demand for specialists has been exaggerated, except in the case of scientists and engineers. For non-technical undergraduates, business itself is enough specialization, say Gordon and Howell. Employers who think they want more are ignoring their own best interests, and business schools should take the lead in talking them out of the idea.

The chief task of the undergraduate schools is to give the students a good general education, the reports say. Some liberal arts courses are a necessary foundation for business: English composition and literature; mathematics; laboratory sciences; the behavioral sciences, such as psychology, sociology, and possibly anthropology; economics; and other social sciences, including history, political science, and maybe geography. Others the authors recommend for cultural reasons: philosophy, languages, fine arts.

• **Too Little Time**—In four years, Gordon and Howell think, it is nearly impossible to do a good job of teaching all this and to work in business courses, too. They feel that the ideal preparation for business would be four years in liberal arts or engineering, followed by two years at a first-class graduate school.

The trouble is, many students will not be able to afford that. So there is a place for some undergraduate courses in business. The businessman, the re-

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ports say, needs to be able to work with numbers. So they suggest accounting, statistics, and more mathematics. He has to work with people in organizations; so they advise organization structure and human relations. His problems are not solely within the organization; so they advise study of business' political and legal environment.

In addition, the business student should be introduced to a few of the functional areas of business, such as finance and marketing. He should study a good deal of economics since that, the authors think, is the nearest thing to an underlying science for business. All these elements should be pulled together in a general course in business policy.

• **Higher Level**—A good graduate business program, the authors think, would include much the same group of courses taught on a higher level. Graduate schools should emphasize applications of mathematics and statistics—such as operations research and statistical controls—and courses based on the behavioral sciences—such as organization theory and human relations. They might permit more specialization in functional fields.

Teachers should stress analysis of business problems rather than descriptions of business procedures, the reports recommend. They should let students practice solving business problems through case studies, role playing, and other exercises. Principles, where they exist, should be taught and students should be encouraged to look for them.

Not all schools should try to fit a common mold, the reports advise. There should be variety and experimentation. But the studies do agree on some specific recommendations:

• **Harder to Get In**—Business schools should lift their admission standards at least to the level of the liberal arts departments on their own campuses. They should be tougher in grading the students they have. This would help make the schools real educational institutions instead of cheap degree factories.

Doctoral training should be expanded and made more scholarly to produce more and better teachers. Salaries should be higher, professors' outside teaching and consulting assignments should be restricted, and there should be less use of part-time instructors.

At least half of the undergraduate's time should go to general education; 60% would be better. The American Assn. of Collegiate Schools of Business should crack down on the member schools that don't meet even its present 40% minimum.

In undergraduate schools there should be no specialization in particular industries and little functional specialization.

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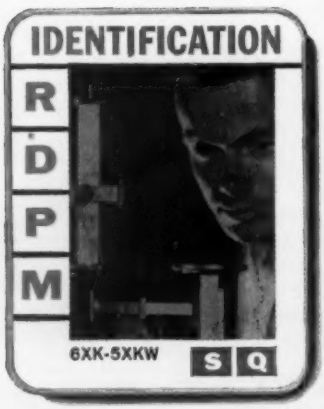


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. . . even those who agree with the studies will not find the recommendations easy to carry out . . .

(STORY on page 84)

guide business thinking rather than the gathering of information about what business is doing. Hypotheses should be set up and tested in such areas as learning processes, decision making, and human behavior in large groups. Projects should be aimed at developing a general system of business principles. Since this kind of research is costly, only a few schools should attempt it.

Some of the better business schools are already moving in the directions to which the reports point (BW—Jul. 18'59,p112). The Ford and Carnegie proposals, says G. L. Bach, dean of Carnegie Tech's Graduate School of Industrial Administration, represent the thinking of the "leaders" in business education though a lot of business school administrators are not going to endorse them.

• **Trouble Ahead**—Even those who agree with the studies will not find the recommendations easy to carry out. For one thing, tougher standards might shrink enrollments alarmingly. Efforts to prune courses will run into opposition from vested interests—businessmen who think Podunk College's mission is to train buyers for the cranberry processing industry and professors who don't know how to teach anything but registration procedures for a travel bureau.

Qualified teachers are not going to appear overnight. Money—to pay them, to give them additional training, to finance their research—will certainly be a problem. Students may object to working harder—though the big crop of college candidates expected in the 1960s should make it easier for schools to be more selective in their admission policies.

• **Up for Discussion**—The reports may produce some cries of anguish on the campuses. Undoubtedly they will provoke a lot of discussion. The Ford Foundation has scheduled a series of meetings for just that purpose. The two studies will top the agenda at a conference of New England business schools in Boston next month, and other regional associations will probably be following suit over the next year or so.

Harvard B-School Dean Stanley F. Teele forecasts a "real re-examination" in many schools. Dean Thomas L. Norton of New York University's School of Commerce, Accounts and Finance thinks the studies will have a "tremendous impact." **END**



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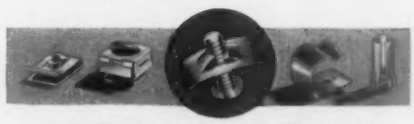
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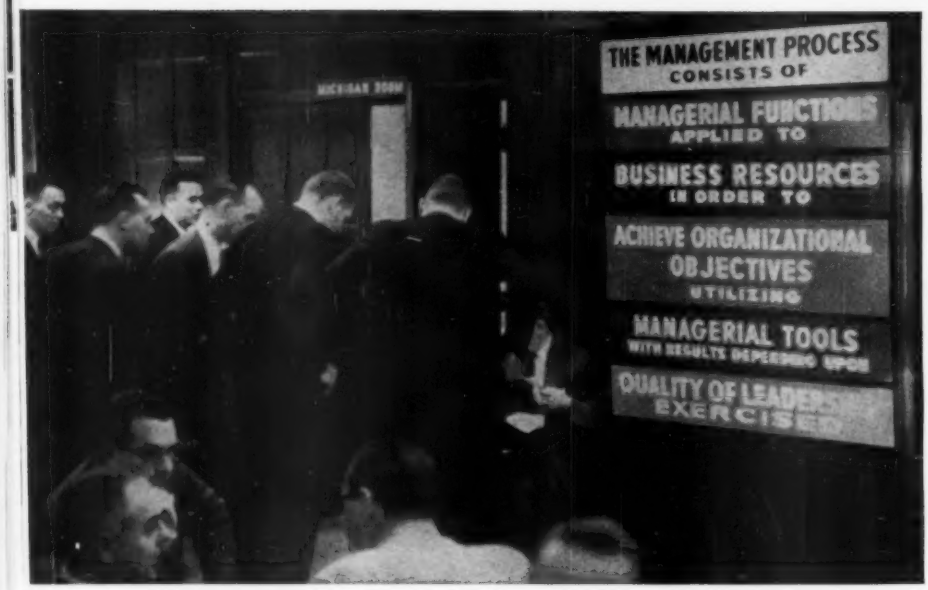
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Foremen Look to Their Future



DELEGATES CHECK IN, more than 800 of them, at National Management Assn. conference in Detroit. Nearly half of NMA members are foremen; rest rank higher.

Is the foreman a vanishing American?

This question was at the heart of all the discussion at the National Management Assn.'s 36th annual conference last week in Detroit. It was the specific subject of the top-billed panel of the five-day session (pictures).

The answer: No, the foreman isn't dying out, but he's finding it necessary to learn new tricks and he is acquiring more impressive titles.

Union rules from below and management practices from above are whittling away his authority. Specialists fresh from the campus with crew cuts and slide rules, and young men marked for management training, are crowding out the old-time, paunchy, cigar-chewing shop boss with the elk's tooth on his watch chain. But, the delegates concluded, the old-timer comes from a hardy breed, and there's no substitute for his supervisory experience.

• **Name After Name**—The National Management Assn.'s history reflects successive changes in the status of foremen. Only four years ago, members voted by a narrow margin to adopt the



COLLEGE-TRAINED Chester Brown, 40, a foreman for Harbison-Walker Refractory Co. of Fairfield, Ala., doesn't believe engineers necessarily make better foremen but sees increasingly less opportunity for the man who isn't technically trained.



UP FROM THE RANKS, Ben Stalvey, 52, for 25 years a foreman at Great Lakes Steel Corp., Ecorse, Mich., says: "You have to see the workers' side, talk their language. But you've got to have the management attitude."

Status

present name instead of National Assn. of Foremen.

Obviously, not all members were willing to accept this grasp at management's coattails. Some member clubs pulled out. Between these defections and the impact of recession, NMA has fewer members today (64,000) than in 1956 (70,000).

For generations, foremen have been in an ambiguous position—are they the lowest level of management or the highest of rank-and-file? The question remained a semantic exercise, however, until World War II.

Foremen made a start toward group recognition shortly after World War I, when they formed a club at what is now Delco Products Div. of General Motors Corp. at Dayton, Ohio. The National Assn. of Foremen began in 1925 to spread the movement to other states.

• **Wartime Issue**—At the beginning of World War II, the National Assn. had about 7,000 members. The nation's shift to a war footing threw foremen suddenly into prominence. Vast numbers of untrained workers were recruited



SERIOUS OUTLOOK is suggested in dinner speeches around the "lost generation" theme. In discussions, delegates agreed the job will survive but title and duties may change.

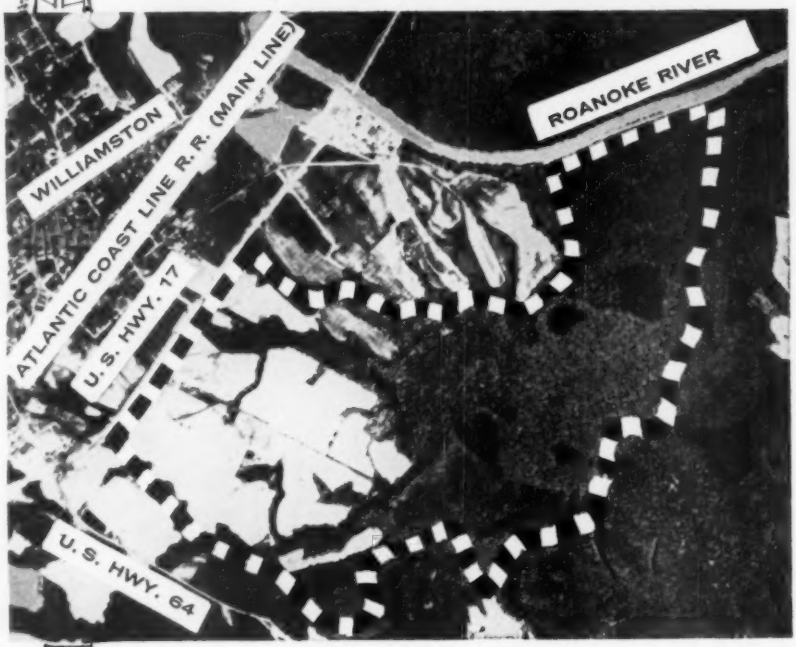


SUPER-FOREMAN of new style is Jason A. Tuggle, Jr., 37, of Lockheed Aircraft Corp. in Marietta, Ga. A college man, he supervises 25 foremen. He favors "people from the ranks who know human relations and production."



SUPERINTENDENT Harold F. Meyer, 48, is in charge of 185 employees at a Mobil Oil Co. terminal in Brooklyn. He says college trainees fail as foremen—"too eager to get ahead, don't want to learn the business."

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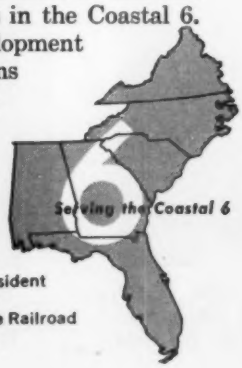


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by war plants, and thousands of experienced workers were made foremen.

These new foremen often carried their union attitudes and loyalties to their supervisory jobs, and the Foremen's Assn. of America was founded as a bargaining group. In response, companies threw their weight behind the non-union-minded NAF. The latter group even then included many management people—higher levels than the production foreman or line supervisor—and foremen were encouraged to think of themselves as members of the "management team."

At the end of the war, FAA claimed about 53,000 members and NAF, 16,000. Then Taft-Hartley pretty much settled the question of whether foremen are labor or management. Section 14-A effectively, though not specifically, kept foremen from bargaining as labor units. That ended FAA's rise. NAF captured many of its members.

• **The Changing Job**—The 800 delegates at the NMA meeting weren't sure whether increasing industrial complexity is good or bad for foremen. On the one hand, it creates more foreman posts; each man can supervise fewer workers as the process gets trickier. On the other hand, management tends to install more and more college trainees as foremen to gain experience.

Incentive for foremen is also reduced as these management trainees are pushed up through the ranks, filling spots at which foremen used to have a crack. Critics say the less educated man has little chance to advance.

However, others point out that the foreman's job encompasses much more than it used to—more than hiring, firing, and bossing a work gang. At Lockheed Aircraft Corp., for example, he is called a supervisor and is primarily responsible for the entire operation of his "cost center." He is the contact with union stewards, solves production and scheduling problems on the spot, checks quality, keeps the budget in line.

• **Membership Mix**—Three years ago, when NMA last surveyed its membership, about 46% of the members were production foremen, another 40% staff people (split evenly between technical and non-technical jobs), 11% higher-ranking supervisors, and 3% top executives.

Of the 46% who were foremen, 14% were college graduates. In the total membership, 30% were college graduates, 60% had had at least some college, and more than 90% were high school graduates.

NMA members are still learning. At Detroit they spent little time in socializing; they packed study sessions. NMA through the year sponsors 325 club classes based on courses prepared in Dayton and presented by the club members themselves. **END**

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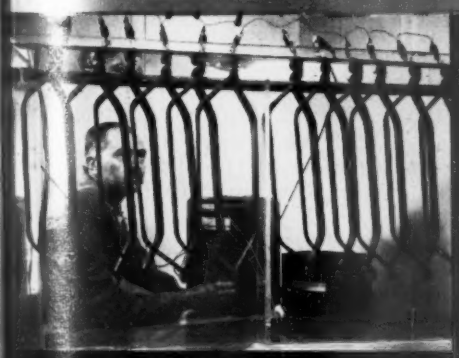
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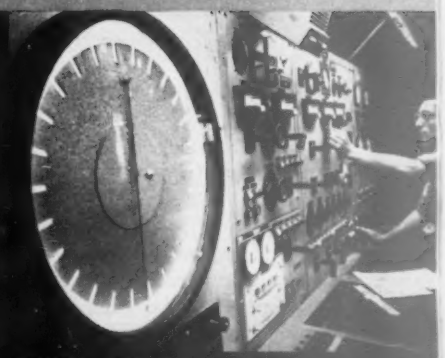
GENERAL MANAGER of G.E.'s Medium AC Motor & Generator Dept. displays new Custom '8000' motor built specifically to meet individual customer needs.



NEW MOTOR LABORATORY was built to search out new materials and processes to increase motor life, cut costs . . . such as recently developed G-E Polyseal* supported silicone rubber insulations systems.



DESIGN TEAM achieved a major design breakthrough with new Custom '8000' motor . . . flexible enough to permit automated production on motors 150 to 6000 hp yet provide many features to meet individual customer requirements.



QUALITY CONTROL—for increased reliability, less maintenance—consists of over 40 in-process tests; is considered important enough to have quality control engineers report directly to top management.



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In Management

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Many Corporations Use Outside Counsel To Supplement Their Own Legal Staffs

Whether a company should have its own legal staff or rely on outside counsel is a question that won't be settled soon. A group of manufacturers recently surveyed by the National Industrial Conference Board saw no inherent advantage in either practice. Many use both.

Nearly half the 286 companies questioned maintain their own general legal departments, and others have tax, patent, or labor attorneys on the payroll. **Two-thirds of those with legal departments also retain outside counsel on a continuing basis.**

While the working relationships vary, the outside counsel usually reports to the inside department. The head of that department is nearly always an officer of the company, usually he is responsible directly to the president.

• • •

Insurance Company Makes Annual Donation To Alma Mater of 10-Year Employees

Every employee who has worked for Connecticut General Life Insurance Co. over 10 years automatically will have $160 donated to his alma mater every year. The donation plan announced last week is the latest in the growing number of regular commitments being made by companies to aid higher education. It is similar to the plan of the First National City Bank of New York, which sets aside a percentage of earnings for donations every year and then splits the melon among the colleges of its employees and officers. This year, the bank made 630 grants of $315.

Connecticut General's gift level is the result of a novel calculation method. **The company estimates it costs a college $4,000 more than tuition payments for a four-year education and the $160 represents a 4% interest payment on this amount.**

• • •

Commercial Development Near Dallas Offers Plush Club for Employees

The latest pitch to attract companies to Empire Central, a commercial development outside Dallas, is a plush employees' club shared by a group including General Electric Co., Allstate Insurance Co., and the Texas Employment Commission. The development sponsors, Windsor Properties, Inc., thinks the club solves the problem of how **small organizations or branch offices of large ones can match the recreation facilities of big employers and attract top employees without pushing up salaries.**

The facilities of the Empire Club include a heated swimming pool, dining and meeting rooms, putting greens, and a playground area. The decor is rustic with floor-to-ceiling windows, fieldstone and wooden beam construction, and an outdoor waterfall.

Another employee benefit with a practical twist **is the big swimming pool built by the Flick-Reedy Corp.,** of Bensenville, Ill. The pool provides the water storage for the plant sprinkler system and together with an outdoor man-made lagoon satisfies insurance company fire safety requirements. Without these ready water supplies, which cost about $132,000, the company would have to be hooked to the town water system at more than double the cost.

• • •

J. H. Whitney Lumps His Holdings In Publishing, Radio, Television

All the publishing, radio, and television interests of John H. Whitney, U.S. Ambassador to Great Britain, were tied up into a neat package last week under the control of the new Whitney Communications Corp. **The holdings include the New York Herald Tribune, Parade Magazine, four TV stations, and six radio stations.**

Four officers of Whitney Communications Corp., headed by president Walter N. Thayer, were formerly partners of J. H. Whitney & Co., an industrial development firm that ran the TV stations and two of the radio stations through control of the Corinthian Broadcasting Corp. The rest of the package had been part of Whitney's Plymouth Rock Publications, Inc. The new arrangement is still subject to approval by the Federal Communications Commission.

When Whitney completes his term as ambassador, he is expected to become chairman of Whitney Communications Corp., and chairman and publisher of the New York Herald Tribune.

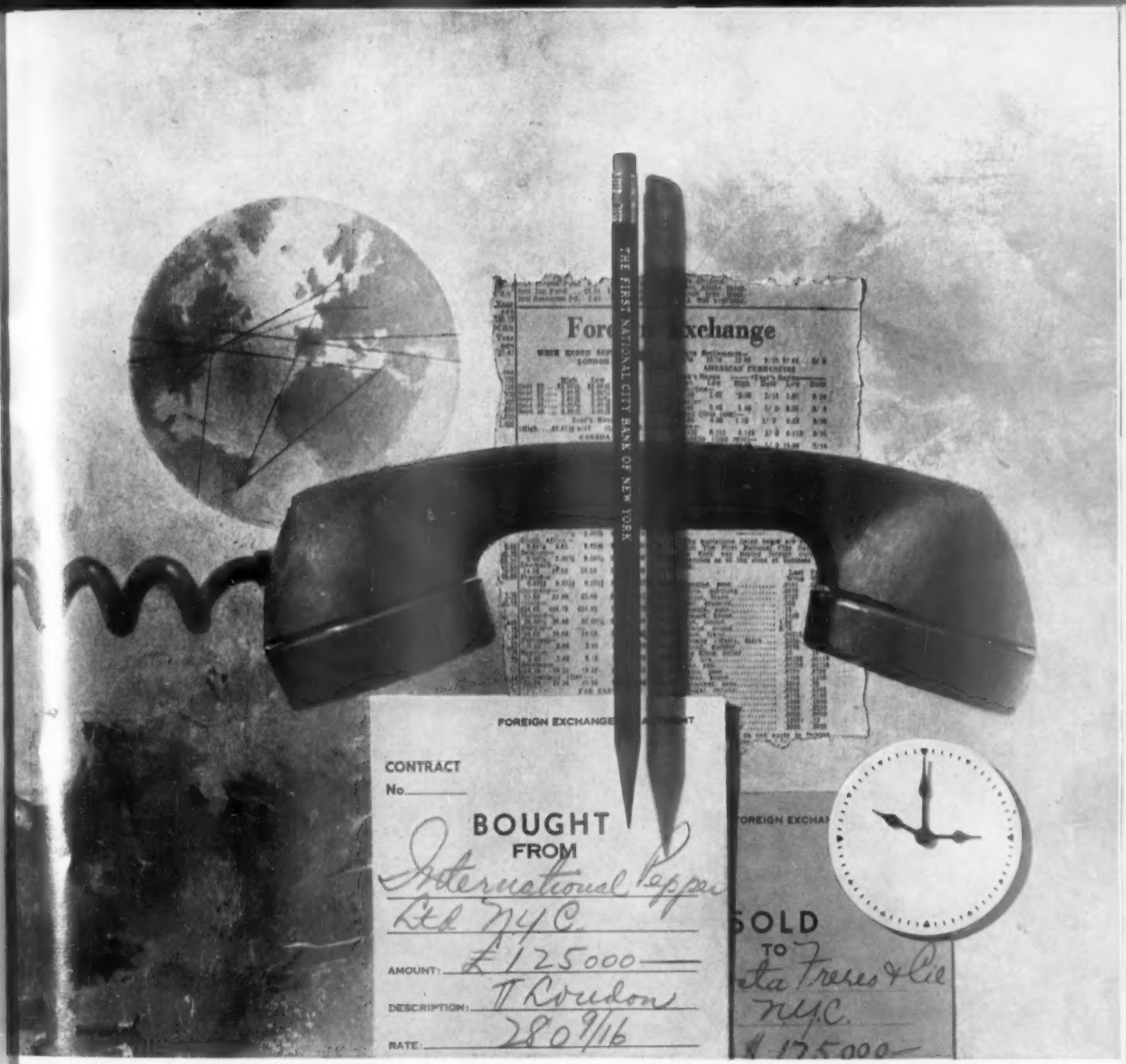
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Management Briefs

To give engineering education a boost, the Ford Foundation last week announced grants totaling $19-million for 10 leading engineering schools. Most of the money will go directly for improved teaching—new professorships, higher salaries, and fellowships and loans for potential faculty members.

Recruiting scientists and mathematicians from next spring's graduating classes should be easier than it has been for several years. According to a new study made by the U.S. Office of Education, there will be 45,000 degrees granted in these fields—up 20% from last year. The biggest jump will be in mathematicians.

Corporate giving to philanthropy has quintupled in West Germany in the last eight years, Dr. Shepard B. Clough, professor of European History at Columbia University, reported at a recent conference on solicitation. The reason, he said, is that West Germany changed its tax laws in 1950 to make donations of up to 10% of taxable income deductible.



Things are different overseas today. Even the "hard" currencies fluctuate in value, some as much as 6% during a year, and the "soft" currencies much more. So timing can be an important factor in the complicated business of dealing in foreign exchange. It's worth getting the advice of the man who can do *more* for you overseas, your FNCB *banker.*

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INTERNATIONAL OUTLOOK

BUSINESS WEEK

OCT. 31, 1959



There's growing urgency in the way the Administration is tackling the U. S. balance-of-payments problem (page 140). You could see that in the speech that Under Secy. of State Dillon made in Tokyo this week before a meeting of GATT (General Agreement on Tariffs & Trade).

Dillon made no bones about the critical nature of our payments problem. (He predicted a $4-billion payments deficit this year.) Nor did he hesitate to tell our trading partners that they must scrap their discrimination against American exports, thereby giving the U. S. a chance to increase its foreign earnings.

In his GATT speech, Dillon also gave the reasons for the U. S. decision to tie some of its foreign economic aid to the purchase of U. S. goods and to cut its military spending abroad.

Add what Dillon said in Tokyo to what Secy. of the Treasury Anderson has been telling our allies for some time and you come out with this simple fact: Other industrial nations, especially those of Western Europe, now are on notice that they must carry a bigger share of the free world's economic and military burdens.

The Administration's new "burden-sharing" policy is getting a good reception in Britain. Note these comments published by leading British newspapers:

London Times: "We can afford to pay part of the bill."

Financial Times: "The American policy must succeed, or the American balance of payments will move from its present manageable state to a critical one."

Guardian (Manchester): "These changes will put some extra burden on European countries but . . . the alternative, a devaluation of the dollar, would shake to its foundations the pattern of trade and investment that has been so painfully built up since the war."

To prove that such views mean something, the British government is taking the following steps:

- Repaying the Export-Import Bank in full the $250-million that London borrowed during the Suez crisis. The repayment, which is being made a year before any installments are due, will show up as a plus in the U. S. balance of payments.
- Scrapping virtually all discrimination against U. S. goods; other members of the Commonwealth are going along on this.

—•—

Premier Castro, Cuba's one-man government, is stirring a diplomatic crisis with the U. S.—at a time when our relations with most Latin American countries are on a relatively good footing.

In demagogic speeches, Castro has accused Washington of trying to undermine his government. Washington, politely mum on Cuban developments during recent months, now is talking back—in a frankly worried tone.

Castro seems to be making a "deliberate effort" to create a crisis. The State Dept. has said as much. Evidence from Cuba supports State's position.

BUSINESS WEEK
OCT. 31, 1959

Castro is facing serious troubles at home. Some U. S. observers even think his time is running out.

Castro has plunged his country through a series of social and economic reforms—some long overdue. But he has tried to do too much too fast.

On the surface, Castro can still claim a mass following, from the peasantry and most fellow revolutionaries. **Underneath, however, well-organized pockets of opposition are developing.** Some are middle-class farmers, fearful of Castro's "wild" land reforms. Others are Castro-allied rebels who disagree with the government's "leftist" approach to reforms.

Castro may be democratic-minded in his goals. But he nevertheless is copying the techniques frequently used by dictators.

He is diverting attention from homegrown troubles by attacking the U. S. He has blamed Washington for the "bombing attack" on Havana. (Reliable reports indicate Cuba's armed forces and police caused all the casualties.)

Castro is using firing squads again to deal with opponents.

—•—

Pres. Eisenhower will push Gen. de Gaulle to compromise on the date for an East-West summit meeting. Eisenhower originally suggested December. Now he is insisting on March at the latest, rather than May, which de Gaulle seems to prefer. As for a preliminary Western summit meeting, de Gaulle apparently has agreed to combine this with the December session of NATO foreign ministers.

The President feels strongly that it might be dangerous to delay an East-West summit until late spring. He doesn't want to lose the momentum toward an East-West understanding that was achieved at Camp David. Nor does he want the question of how and when to talk to the Soviets involved in the U. S. election campaign.

If Eisenhower keeps pressing, so Washington believes, de Gaulle probably will settle for March. The French president will have time before then to meet Premier Khrushchev privately and thus catch up with Eisenhower and Britain's Macmillan in this respect.

But an agreement on the date won't resolve all the Western differences over an East-West summit. Washington is standing pat on the agenda it has proposed for such a session—Berlin and Germany plus disarmament. But West Germany's Adenauer, presumably with de Gaulle's backing, insisted this week that East and West should deal only with disarmament.

—•—

The Soviet budget for 1960 contains few surprises. It fits closely with the goals set in the current Seven Year Plan. There is to be an 8.1% increase in gross output next year, with the production of heavy industry rising 8.8% and of consumer goods 6.4%. There are bigger outlays for science and education, while defense is supposed to get the same amount as last year.

The budget, however, contains a hint of an interesting change in Soviet financial practices—the covering of some state investment expenditures by government borrowing. This would be as much of an innovation as this fall's inauguration of installment credit for consumers.

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Pittsburgh Fab-Form, available in lengths up to 28 feet, 3 inches with 5/8-inch corrugation, is handled easily on steel joists by one man at St. Regis Church and School in Trafford, Pa. Contractor H. Justin Brown & Son, Mt. Lebanon, Pa., reported it took four men just one day to lay 10,800 square feet of Fab-Form. Fab-Form was sold and engineered by W. N. Dambach, Inc., Pittsburgh, Pa.

New Fab-Form by Pittsburgh Steel Cuts Floor and Roof Slab Costs, Gives Greater Length and Width

Fab-Form, a brand new addition to Pittsburgh Steel Products' line of quality construction products, builds in savings of materials and erection time for concrete floor and roof slabs.

New Fab-Form—longest and widest corrugated, permanent steel form for slabs poured over joists—reduces the number of end and side laps through its 32-inch cover width and extra length.

In addition, Fab-Form has an exclusive new welding method that is literally a snap.

Fab-Form is fabricated:

- In standard lengths, plus other lengths up to 28 feet, 3 inches—twice as long as most others.
- In a cover width of 32 inches.
- With deepest corrugation — a full 5/8-inch — of any standard steel centering.
- Plain or Bonderized with an exclusive baked-on duPont red oxide primer that provides weather protection and serves as an excellent primer base for further painting of exposed underside. Fab-Form's special protective finish prevents water stain or "white rust."

Fab-Form's uniform strength comes from high-tensile (90,000 to 100,000 psi), 27 gage, cold rolled steel sheet.

- **Ideal for School**—One of the first construction jobs in which Fab-Form was used was the new St. Regis Church and School in Trafford, Pa. Architect for the job was Ermes Brunettini, AIA, Verona, Pa. More than 33,000 square feet of Fab-Form supports three-inch concrete floor and roof slabs set on steel joists.

Thomas A. Laboon, job superintendent for H. Justin Brown & Son, general contractors from Mt. Lebanon, Pa., said that the deeper corrugations in Fab-Form helped make a stronger slab. Pittsburgh Steel's six-inch square mesh made of No. 6 gage wire was used for reinforcing.

Fab-Form's speed of installation also impressed Mr. Laboon. He said that it took four men just one day to lay 10,800 square feet of Fab-Form on roof joists. After sections were laid, welders using the unique Fab-Form Welding Washer Stick made plug welds to every other joist.

- **Easy as A, B, C**—Welders found using the exclusive Fab-Form Welding Washer Stick unusually simple. Pittsburgh Steel developed the unique stick so that each welder bent up the end washer on the stick, made his plug weld and snapped off the washer—in just seconds. This eliminates fumbling in heavy gloves for individual washers. Next, mesh was installed and the slab was poured.

"Everything came out exactly right with no scrapped material," said Mr. Laboon in commenting on the economy of Fab-Form. "The side and end-lapping worked out exactly right.

"On top of that," he added, "you know that when Fab-Form is down you have a material that will take a beating from men tramping on it, buggies and even rough weather.

"Later, after the slab is poured,



Deepest corrugation, ⅝-inch, of all standard steel centering is available with Fab-Form. Job Superintendent Thomas A. Laboon, left, shown with Pittsburgh Steel Products Salesman C. W. Bainbridge Jr., said deep corrugation helped make a stronger slab.



Rugged Fab-Form, longest and widest corrugated steel centering for concrete floor and roof slabs on the market, easily supports a three-inch roof slab. Fab-Form saves material and erection time.

you are confident that the same material will go a long way in helping provide sound construction."

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Write today for literature or, better yet, contact the nearest Pittsburgh Steel Products sales office listed here.



Pouring is no problem with Fab-Form. Here a buggy has rolled over Fab-Form without damaging the material. Six-inch square mesh made of No. 6 gage wire is from Pittsburgh Steel, too.



Exclusive Fab-Form Welding Washer Stick reduces installation time. After the end washer on the stick is bent up, the welder makes a plug weld and snaps off the washer. Then mesh is installed and slab is poured.

Fab-Form

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LABOR

Putting More Heat on Bargaining

● **Critics of Taft-Hartley Act are agitating for changes in the emergency section of the law.**

● **They claim it is too "inflexible" to cope with the variety of disputes that arise between labor and management.**

● **Their idea is to give President a choice of procedures for applying pressure for quick settlements.**

The testing of Taft-Hartley in the steel strike is focusing attention—and criticism—on the national emergency provisions of the 12-year-old labor law.

Critics charge that Taft-Hartley is "inflexible." Although it may be capable of ending the 3½-month-old steel walkout, they say, the injunction provision cannot "settle" the strike. Demands to change the emergency section of the law are sure to come up in the next session of Congress (BW—Oct.24 '59,p135).

Sen. John F. Kennedy (D-Mass.) says that the emergency section must be completely rewritten. "It's wholly one-sided," he charges. "It encouraged the companies to refrain from bargaining because they knew they would be bailed out." Kennedy hopes to hold hearings this fall—or early in 1960—on proposals that would give the President more than one weapon in a national emergency dispute.

• **States' Example**—The idea is to keep pressure on the men at the bargaining table. The experts on Capitol Hill who will translate this idea into concrete legislative proposals are turning to the states for examples on how to do this.

Ten states have laws dealing with emergency disputes endangering public health and safety. Mostly, coverage is limited to "essential" industries such as public utilities, food, and fuel. Some, like Massachusetts, offer the governor a choice of procedures in the event of a critical dispute.

• **Presidential Choice**—Professional labor relations people believe the President should also have his choice of methods of getting in on—and settling—disputes.

"Like it or not," says Richard A. Lester, Princeton economist and labor relations expert, "in a situation like steel, the Chief Executive can't sit back." Pres. Eisenhower's appointment of a Taft-Hartley inquiry board composed of men such as Dr. George W. Taylor, Dr. John R. Perkins and Dr. Paul N. Lehoczky all but empowered to mediate is recognition of that fact, Lester argues.

"If the President is in the picture," one Taft-Hartley critic says, "we might as well give him the tools to work with. And, one weapon in the arsenal just won't do the job. We don't count on using the hydrogen bomb for brush fires, do we?"

Proponents of the choice-of-procedures approach say that it offers these advantages:

Flexibility. What might be effective in one dispute might not work in another. The Taft-Hartley injunction has worked in five disputes, resulting in a settlement during the 60-day cooling-off period. In 10 others, it solved nothing.

Element of surprise. Uncertainty over which of several ways the President might enter the dispute would keep the heat on bargaining.

Pressure on bargaining. With several choices at hand, the President could vary the pressure on bargaining. Choices could range from a preliminary inquiry to just-about compulsory arbitration.

• **Bay State's Law**—The Massachusetts law frequently is cited as a guide to a new approach. As conceived by the late Sumner H. Slichter of Harvard, the law enables the governor to choose among several alternative ways of getting into a dispute that threatens the public health and safety. The Slichter law, passed in 1947, also enables the governor to get involved even before the dispute reaches strike proportions. It is, however, limited in coverage to fuel, water, electric light and power, gas, hospital and medical services.

Here's what the governor can do:

• Conduct an investigation, including an informal hearing before the governor and the commissioners of public safety and of labor and industries. This is limited to the question of the immediacy of possible disruption of services. But it permits the governor to get in and apply gentle pressure on the parties.

• Order both parties to appear before a moderator to show cause why they should not submit the dispute to arbitration. The moderator may act as a mediator, urge the parties to submit unresolved issues to arbitration. (This is about what the Taylor board tried to do in the steel strike.) Failing an agreement, the moderator makes public his findings, placing blame on either or both parties for failure to agree on arbitration. But the moderator is not allowed to comment on the merits of the dispute.

• Request both parties voluntarily to submit the dispute to a three-man emergency board of arbitration. The board has power to recommend, including a prospective or retroactive settlement date. During this step and the one above, the employees keep on working under the terms of the old agreement.

• Declare an emergency and arrange for a mutual agreement for partial operation of the essential services, or seize the plants. Seizure may be partial or complete. During seizure, wage rates and working conditions remain unchanged. But a special three-man board of arbitrators may make recommendations that the governor may put into effect.

• **Test**—How well has the Massachusetts law worked? On the record, fairly well. It has been invoked six times over the past 12 years. Every procedural step has been used at one time or another, but in no one case have the possibilities of the law been completely exhausted.

Massachusetts unions officially, are against the law. They have made several attempts to repeal it. "The Slichter law has elements of compulsory arbitration," says Robert M. Segal, state AFL-CIO counsel, "and labor is opposed to compulsory arbitration." But, Segal adds, the Slichter law is better than Taft-Hartley. On the whole, management in Massachusetts thinks the Slichter law is far more effective than Taft-Hartley.

• **Risks**—Management's greatest fear is that an administrator whom a governor might appoint in the event of a seizure "might not be the right man for the job. That is, he might increase wages, reduce hours, and put a lot of worthless old politicians on the payroll." This hasn't happened so far. Only two seizure cases have occurred under the law.

But, says management, there isn't anything in the law to prevent this. And, says an executive, "we'd be a lot happier if there was."

"There are certain risks in choice of procedures legislation," concedes Princeton's Lester. He "wouldn't underestimate the risk of giving wide discretion-



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CiT CORPORATION

ary powers to the executive." Other risks, as Lester sees them, are a tendency to use intervention "too often, too soon, and the possibility of favoritism." But "where the public interest or the security of the United States is involved, you've got to run these risks," he adds.

• **Flexibility**—Lester, along with many other professional labor relations men, favors the widest possible flexibility in approaching emergency disputes.

New Jersey, Lester notes, passed an emergency labor disputes measure as a result of a utility strike. This year, it found it could live with such a strike. A strike at a small tube factory turned out to be a national emergency because of the atomic energy program. These things can't be predicted, says Lester. Each labor dispute has it own peculiarities.

• **Problem for Congress**—The difficulty facing congressmen next year will be which alternatives—and how many—should be given to the President. The public, the experts fear, likes things spelled out, favors specific, one-shot measures for dealing with national emergencies—measures such as a labor court or compulsory arbitration.

But the trouble with compulsory arbitration, some labor relations experts warn, is that the parties get to rely on it and dump the whole load on the arbitrator's shoulders. "It's okay to be a face-saving device," says one top arbitrator. "But for successful bargaining you shouldn't have to make all the decisions."

"Collective bargaining," explains Lester, "is based on the willing cooperation of workers and management, and it won't work unless people work out these things themselves."

• **Steady Pressure**—So, say the professionals, the trick is to devise a variety of approaches for government intervention that will permit a steady application of heat on both parties to get them bargaining.

There are situations where the parties can't agree—and the present steel crisis is one of them, Lester and his colleagues believe. Here, too, they say, flexibility could pay off. With alternative methods at hand, the President could apply enough pressure to narrow down the areas of disagreement to the smallest possible. Then, what remains could be bounced into the lap of arbitration.

"The advantage of the Massachusetts setup," explains a top negotiator, "is that it's as close to compulsory arbitration as you can get and still force the parties to agree themselves on most issues separating them. The rest, in a case like steel, have got to go to arbitration unless you're willing to pay the price—the kind of fight in which one side completely breaks the other." **END**

In Labor

• • •

Cost of Living: What's Happening to It

	Total Cost of Living	1947-49 = 100 Food	Clothing	Housing Total	Housing Rent Only
September, 1951	111.6	112.5	109.3	112.9	114.2
September, 1952	114.1	115.4	105.8	114.8	118.3
September, 1953	115.2	113.8	105.3	118.4	126.0
September, 1954	114.7	112.4	104.3	119.5	128.8
September, 1955	114.9	111.6	104.6	120.4	130.5
September, 1956	117.1	113.1	106.5	122.5	133.4
September, 1957	121.1	117.0	107.3	126.3	135.7
September, 1958	123.7	120.3	107.1	127.9	138.2
October	123.7	119.7	107.3	127.9	138.3
November	123.9	119.4	107.7	128.0	138.4
December	123.7	118.7	107.5	128.2	138.7
January, 1959	123.8	119.0	106.7	128.2	138.8
February	123.7	118.2	106.7	128.5	139.0
March	123.7	117.1	107.0	128.7	139.1
April	123.9	117.6	107.0	128.7	139.3
May	124.0	117.7	107.3	128.8	139.3
June	124.5	118.9	107.3	128.9	139.5
July	124.9	119.4	107.5	129.0	139.6
August	124.8	118.3	108.0	129.3	139.8
Sept., 1959	125.2	118.7	109.0	129.7	140.0

Data: Dept. of Labor, Bureau of Labor Statistics. ©BUSINESS WEEK

C-of-L Index Hits Peak in Mid-September, Brings 1¢-3¢ Pay Boosts for 1¼-million

An increase in the Labor Dept.'s monthly cost-of-living index to a new high of 125.2% of average 1947-49 costs in mid-September will mean pay boosts of from 1¢ to 3¢ an hour for a million and a quarter workers under "escalator" contracts.

Over-all living costs nudged up (table above) as a result of price increases in all index factors except transportation. Average food costs rose as a result of seasonal advances in prices of eggs, dairy products, and meats. Costs of fresh fruits and vegetables showed a less-than-seasonal drop.

Apparel prices rose. So did footwear costs. Housing and house-furnishings costs went up fractionally. So did medical care, reflecting higher hospitalization insurance rates in New York and Minneapolis.

For workers with pay linked to the rise and fall of the c-of-l index, the September figure meant: 3¢ an hour more for 850,000 railroad workers, a semi-annual adjustment; 1¢ for about 370,000 aircraft and electrical equipment workers, a quarterly revision, and 2¢ for a scattering of 16,000 workers in other industries.

• • •

McClellan Committee Blasts Union Heads For Using Unions for Personal Interests

The McClellan anti-rackets committee, which is expected to go out of business at the end of this year, issued a new blast at three unions last weekend in a 310-page interim report on recent hearings.

The report criticized officials of the three unions—the Teamsters, Carpenters, and Hotel & Restaurant Workers—for using union power for their personal interests. It also denounced a number of employers and attorneys.

Among its allegations:

• Teamsters leaders of Local 107 in Philadelphia are accused of maintaining their power by "terror [and] brute force" and of "draining large amounts of cash" from their local union treasury. Seven have been indicted on this later charge.

• Carpenters Pres. Maurice A. Hutcheson is accused of using a union-paid "fixer" to try to prevent an indictment in an Indiana highway land deal scandal.

• Officers of the Hotel & Restaurant Workers in Chicago at the time of a committee probe are accused in the report of "racketeer infiltration" and of "shakedown" tactics. The international union has taken steps since to clean house in Chicago.

The report also charged that the Chicago Restaurant Assn., an owners group, engaged in "improper conduct" with the union.

• • •

High Colorado Court O.K.s Injury Award To Worker Who Slipped in Company Shower

Perspiring employees who take showers before going home at the end of a work day are serving their employer's best interests, the Colorado Supreme Court decided recently. **It ordered workmen's compensation paid for spinal injuries suffered in a fall in a shower stall, upsetting an 18-year policy of the Colorado State Industrial Commission.**

An employee of the Colorado Fuel & Iron Corp. filed for workmen's compensation after slipping and falling in the shower at the end of the work day. He lost in the earlier rounds, but the Supreme Court supported his claim.

It commented: "The nature of the employment makes bathing reasonably incidental to the employment itself [but] the fact that the employer provided showers and that nearly all employees find it necessary to use them is persuasive evidence . . . the health of the employee is of interest to the employer . . . the employer's interest was actually here served."

• • •

Labor Expert Switches to Foreign Service

Louis G. Silverberg, long-time information chief of the National Labor Relations Board, is shifting government jobs. The 43-year-old labor specialist, who began as an NLRB messenger in 1937, has transferred to the State Dept.

Silverberg will be a labor specialist in the Foreign Service. His first assignment will be as labor attache in Tokyo.

Silverberg became well known in labor-management circles as a labor relations expert while handling public relations for the government agency. He is author of two books on labor, the most recent a detailed guidebook titled How to Take a Case Before the National Labor Relations Board.

Profits Take 3rd-Quarter Breather

Net Incomes (Millions of Dollars)

COMPANY	9 MOS. '58	9 MOS. '59	2ND Q. '59	3RD Q. '59	% CHANGE 3RD Q. OVER 2D Q. 1959
Allegheny Ludlum Steel	$ 2.53	$ 8.46	$ 7.82	$ —3.9	—
Allied Chemical Corp.	23.42	39.71	16.56	11.77	— 28.9
Allis-Chalmers Mfg. Co.	13.65	15.45	8.94	10.14	13.4
American Cyanamid Co.	27.91	40.03	14.11	12.85	— 8.9
American Machine & Foundry	6.85	12.51	3.33	4.16	24.9
American Potash & Chemical	3.16	3.80	1.43	1.26	— 11.9
American Tobacco Co.	42.98	47.23	16.51	17.89	8.4
Anderson-Prichard Oil Corp.	2.76	4.87	1.70	1.82	7.1
Caterpillar Tractor Co.	28.98	43.30	17.88	14.44	— 19.2
Chance Vought Aircraft	7.24	4.30	1.58	1.21	— 23.4
Chesapeake & Ohio Ry.	33.99	33.30	14.05	8.59	38.8
Chicago & North Western Ry.	—1.55	—.99	2.33	—1.00	—
Chrysler Corp.	—45.20	23.80	42.80	—34.20	—
Detroit Steel Corp.	—.005	7.71	3.02	2.12	— 29.8
Eastern Gas & Fuel	2.60	2.23	.82	—.190	—
Eastman Kodak Co.	63.63	87.55	29.89	34.83	16.5
Ekco Products Co.	2.26	3.40	1.11	1.37	23.4
Electric Auto-Lite Co.	1.48	5.63	3.18	.48	— 84.9
Flintkote Co.	8.44	11.49	3.99	4.90	22.8
Ford Motor Co.	1.20	339.10	151.10	53.20	— 64.8
General Electric Co.	161.97	189.51	64.46	72.27	12.1
General Portland Cement Co.	8.10	9.32	3.85	3.33	— 13.5
Gillette Co.	19.73	22.48	7.28	8.38	15.1
Granite City Steel Co.	6.22	11.55	4.84	3.25	— 32.9
Johns-Manville Corp.	16.18	23.35	10.27	8.43	— 17.9
Libbey-Owens-Ford Glass	11.09	42.16	15.94	9.06	— 43.2
Mack Trucks, Inc.	4.82	12.05	4.34	4.17	— 3.9
Maytag Co.	5.98	10.10	3.40	3.45	1.5
Monsanto Chemical Co.	28.15	48.38	17.99	14.62	— 18.7
National Cash Register Co.	10.52	12.56	4.42	4.48	1.4
Nat'l Distillers & Chemical	15.07	18.30	5.76	6.52	13.2
National Steel Corp.	21.22	42.28	22.96	2.82	— 87.7
New York Central RR.	—8.44	3.40	9.95	—6.73	—
Olin Mathieson Chemical	11.81	26.75	11.11	9.25	— 16.7
Owens-Corning Fiberglas	7.06	11.51	4.72	4.27	— 9.6
Parke, Davis & Co.	18.58	22.20	6.84	8.48	24.0
Peabody Coal Co.	6.24	7.44	2.26	2.08	— 8.0
Penn-Dixie Cement Corp.	6.31	7.65	3.12	3.97	27.2
Philco Corp.	.33	4.37	.80	1.99	148.8
Polaroid Corp.	4.33	5.97	1.47	2.98	102.7
Radio Corp. of America	19.80	27.30	6.50	7.90	21.5
Rayonier, Inc.	1.73	9.59	3.55	3.00	— 15.2
Reynolds Metals Co.	28.07	30.08	10.77	10.31	— 4.3
St. Joseph Lead Co.	2.62	4.57	1.56	.94	— 39.8
St. Regis Paper Co.	13.20	19.77	7.90	6.35	— 19.6
Shell Oil Co.	89.03	104.06	34.72	34.87	0.4
Simonds Saw & Steel Co.	1.52	4.05	1.66	1.23	— 25.9
Square D Co.	4.22	6.84	2.44	2.98	22.1
Standard Brands, Inc.	10.93	11.49	3.79	3.70	— 2.4
Studebaker-Packard Corp.	—22.53	15.47	4.32	3.40	— 21.3
Texaco, Inc.	228.32	261.85	71.50	96.89	35.5
Thiokol Chemical Corp.	1.74	4.06	1.56	1.17	— 23.7
Union Bag-Camp Paper Corp.	10.79	14.04	4.68	4.46	— 4.7
Union Carbide Corp.	84.51	126.99	48.86	36.56	— 25.2
Union Tank Car Co.	5.31	4.50	1.27	1.91	50.4
U. S. Steel Corp.	210.57	223.81	148.36	—31.14	—
Vertol Aircraft Corp.	.35	.11	.47	.12	—
Western Auto Supply Co.	4.37	6.30	2.75	2.38	— 13.5
Wyandotte Chemicals Corp.	1.74	3.16	1.25	1.17	— 6.4

Third-quarter corporate profits slow down after long, steep climb but, despite steel strike, will be close to second quarter.

Corporate profits in the third quarter took time out for a breather, after one of the most astonishing periods of increase in the country's history—a nearly vertical climb from a $32-billion annual rate in the first quarter of 1958 to a $52.6-billion rate in the second quarter of 1959.

Nearly all of the "early bird" third-quarter reports—like those in the table at the left—show substantial gains for the nine months over like periods in recession-struck 1958. But comparisons of third-quarter earnings with this year's second quarter show a definite slowing up, and quarter-to-quarter gains are pretty well mixed with actual declines.

• **Not Only the Strike**—For many companies, the steel strike—affecting all but the first 15 days of the third quarter—was the big factor in slowing up what might have been further spectacular increases.

However, the strike wasn't the only reason for the profit slowdown:

• St. Regis Paper Co., like many other corporations, noted that the rate of increase in its business was lower in the third quarter than in either of the first two quarters—an anticipated development resulting from a leveling-out of production after a swing upward to maximum capacity.

• Anderson-Prichard Oil Corp. pointed to a softening in product prices in the second and third quarters, with further weakness as the industry's crude oil runs to stills continued excessive.

• In the hotly competitive consumer field, Standard Brands, Inc., commented that while its physical volume was at an all-time high, lower selling prices reduced dollar sales volume.

• Chance Vought Aircraft attributed its lower third-quarter to a continuation of planned emphasis on research and development, directed toward product diversification.

• Wyandotte Chemicals Corp. said its third-quarter sales were usually the year's best because of seasonal factors; but this year's third-quarter earnings lagged behind the first two quarters. The reason was higher depreciation charges and expenses for finishing its Geismar (La.) works, and for the breaking in of new plants. Its profits were also cut by the loss of coke and lime business, due to the steel strike.

• Rayonier, Inc., reminded shareholders that the third quarter is tra-

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• The big auto companies—Chrysler Corp., for example—and their suppliers were undergoing the birth pangs of the new model year—made more costly by the heavy investment required by compact cars.

While the steel strike has been the quarter's chief concern, other corporations—Johns-Manville, for one—suffered lower sales and earnings because of strikes of their own. General Portland Cement's earnings were affected by a two-month strike in one of its Ohio plants. In contrast, Allis-Chalmers noted that the third quarter was the first three-month period this year when all of its plants were operating full time; earlier the larger plants were closed by strikes.

• **Merry Profit Bells**—While corporate profits have leveled out—at least temporarily—business continues to boom outside strike-affected areas, and total profits in the third quarter, excluding steel, will set another new record. Even allowing for strike-attributed losses, present estimates are that profits for the third quarter will be close to the second quarter record.

Not all steel companies were shut down by the work stoppage, as were industry leaders such as big U. S. Steel, which suffered the largest quarterly loss in its history. Some 59 smaller companies,- including Granite City Steel Co. (page 134), operated full blast. But they had their own problems, too. Granite, for example, had put off maintenance of equipment and depleted in-process steel during the second quarter in order to make maximum deliveries. As a result, third-quarter profits—though third highest for any third quarter—were lower than either of the earlier quarters.

However, for industry as a whole, the cash registers are ringing the profit bells at a merry rate. National Cash Register reported record third-quarter sales and a rise in nine-month sales, despite a decline of $10-million in defense business. Union Bag-Camp Paper Corp. reported record nine-month sales and net earnings. Union Carbide, noting the high volume of chemical and plastic sales, anticipates that 1959 will be its biggest year in sales and income.

Resistoflex Corp. reported the highest fiscal quarter in its history, and Libbey-Owens-Ford Glass said its nine-month earnings exceeded any previous full year by more than $6-million, despite vacation shutdowns and reduced sales during the big model changeover for its big customer, the auto industry.

Institutions Still Play It Cool

Pension funds, banks, and investment trusts are still bullish about the economy, but some are shifting from common stocks to bonds and short-term paper.

The nation's institutional investors are as befuddled as anyone about which way the stock market will swing next. So they are steering a middle course in buying and selling equities.

In talking to pension funds, bank trustees, and open- and closed-end investment companies in the past 10 days, BUSINESS WEEK reporters found caution the prevalent attitude. Even so, their view of the over-all economy is generally bullish—as expressed frequently, for example, this week at the convention of the National Mutual Fund Dealers Conference.

The institutions still hold high regard for equity investments, to be sure, but they are no longer willing to bid up share prices to increase their stock portfolios. Even if steelworkers should go back to the mills tomorrow—and induce an upward burst of stock prices—the funds and trusts are more likely to sell into strength than to buy more commons. Sums up one mutual fund manager: "We just don't know which is the next major trend in stock prices—or how far it will go—so we're playing it close to the chest."

• **Varying Answers**—The current investment policies of the institutions vary depending on their goals. Here's how the different types are behaving in the stock market now—and planning for the next few months:

Mutual funds that stress equity investments are still knee-deep in commons—which make up more than 90% of their portfolios. These funds see no reason for a major shift in tactics, though they have been more selective in the last six months and plan to continue being so in the next six. One reason: the slowdown in sales of new shares in the funds.

"Balanced" mutual funds, which combine bonds and stocks to give both yield and appreciation, are among the most cautious. They led the rebellion against equities last spring, and they're not ready to commit more to stocks now. Some, in fact, are moving more boldly toward bonds. Says one manager: "All our new money is going into bonds to bring our bond-market ratio up."

Bank trust accounts, which hold the most equities in total value, are also shifting significantly. Last summer, many banks pruned what they considered undesirable shares—such as oils—out of their personal trust accounts, and they are still weeding. New accounts are being well stocked with quality commons, but existing accounts are being relieved of some equities to bring them into better balance.

Closed-end investment trusts are also on a defensive tack. Many look for a price rise in commons over the next few months, but most of them still shy from purchases. Madison Fund, for one, has increased its holdings of defensive items—mainly cash and short-term governments—from 38% of total assets to 42% over the last quarter.

Pension funds, which don't particularly need liquidity because their obligations are long-term, are generally committed to equities. Some that have just abandoned all-bond portfolios for a bond-stock mix see no reason for a switchback—though they are being very selective in their stock buying.

I. Influential Investors

Since these money managers over-all control some $100-billion in assets, what they say and do has deep influence on stock prices. The general public watches institutional behavior closely, too, because it feels the professionals' savvy is worth imitating.

The leadership exercised by the institutions is evident from what has happened in the stock market since last spring. At that time BUSINESS WEEK learned, many institutions were cutting back on their equities, because of lack of faith in the short term. The money managers felt price-earnings ratios were out of line: "Paying 25 times earnings for an electronics stock in a rising bull market might be justified," recalls a pension fund manager, "but paying 40 times earnings was outrageous." Besides, the managers thought higher interest rates would squeeze stock prices two ways:

• They would make common stocks look still less appealing than bonds, which already yield more.

• They could stifle business spending plans and thus bite into earnings and dividends.

• **Sagging Mart**—For these reasons, a number of institutions began to shift out of undesirable issues and into high-yielding short-term obligations. For a while, stocks continued to rise anyway, but soon deterioration became plain—volume sagged, more and more issues

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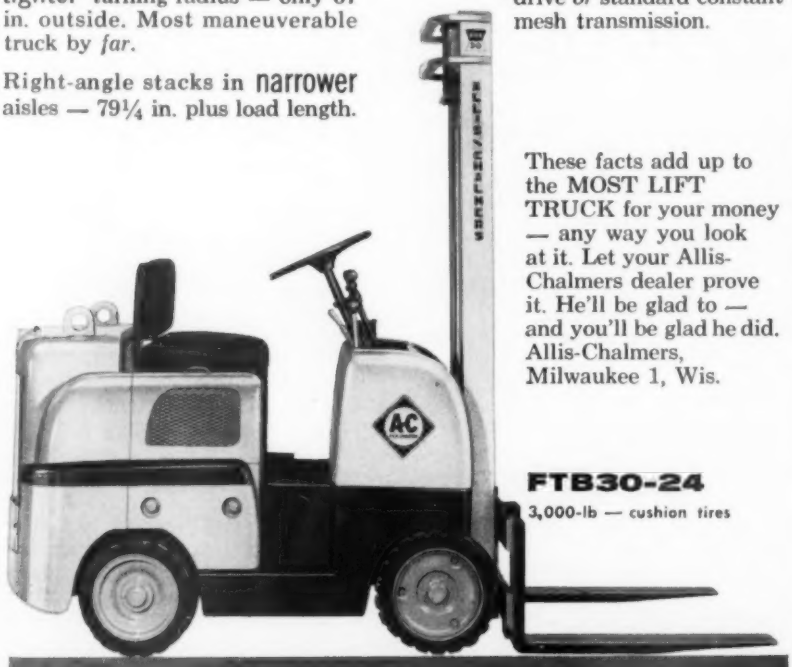
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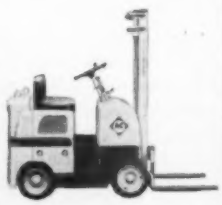
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declined and touched new lows, speculation grew rampant. In mid-August, the market began its 40-point slide.

Since then, stocks have backed and filled in a thin trading range, and analysts are quick to say—rightly or wrongly—that a chief reason is that institutions are staying on the sidelines. Until the institutions come back into stocks with force, these analysts say, prices will continue technically weak. If the steel mills reopen, this prediction could be upset for a time. But how long prices can maintain any post-strike surge depends on what the institutions do.

II. Cheerful Look Ahead

Despite their defensiveness, the big institutions are generally optimistic about the economy. At the Atlantic City meeting of mutual fund dealers, for instance, sanguine forecasts were widely heard.

Dr. John W. Harriman, economist for the Broad Street group of mutual funds and Tri-Continental Corp., the big closed-end trust, set the tone with a prediction that the "decade of the '60s will be one of economic expansion and business progress."

He singled out increasing population and income as the two main forces working toward growth. But he also cited built-in government stabilizers, which, he says, mean "downward movements in business can be contained within reasonably narrow limits or, in other words, that deep depressions can be avoided."

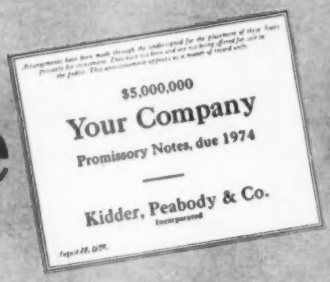
• **Still Cautious**—Most officials of big institutions agree with these views, but there are degrees of optimism. On tight money, some feel the economy is learning to adjust to higher interest rates and can expand anyway; others think the cost of money will crimp business plans severely.

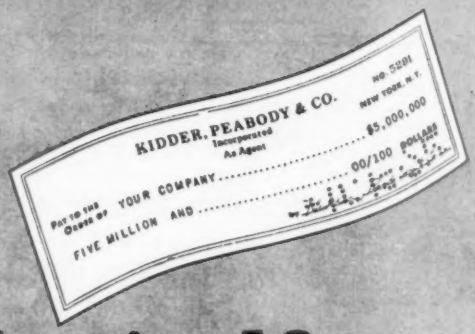
III. But Moderation Prevails

Whatever the degree of optimism, the institutions are still cautious about stocks. The bullishness only tempers their attitude. "We don't think equity-minded investors will fade from the scene," says one executive of a closed-end trust. "But we do feel that with most stock issues selling at high prices, we must stick to quality—those issues with proven performance in earnings and dividends, those which are selling closest to historic ratios, and those which have kept costs down."

• **Move to Bonds**—A big New York bank specializing in trust accounts also feels the need for more selectivity. It's still buying stocks but "more moderately" than a few months ago, and it's cutting back a little in portfolios already heavy with equities. It thinks

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"bond yields are relatively attractive," particularly for trusts needing income.

Another bank with many pension fund accounts goes along with this thinking. It takes the stand that even if bonds go lower than their present prices, the income they offer is very appealing. This bank isn't selling much out of its portfolios, but it's putting more of its new funds into bonds than before.

A number of balanced funds feel the same way. They don't attempt to guess the high and low points of the stock market. Instead, they try to give shareholders suitable income, with a dash of capital appreciation. "With bonds yielding more than they have in some 35 years, we'd be neglecting our duty if we didn't sink lots of cash in them now," says one fund manager.

• **Riches Abroad**—In talks with the big institutions, one other trend emerges clearly—the move toward foreign securities. William A. Parker, head of Parker Corp., sponsor of two mutual funds, says "there's new color in the cheeks of the free world," and he expects this to mean broader international trade. He also anticipates a freer interchange of stock between the U.S. and Europe.

The result should be even higher stock prices abroad, he argues—and backs it up with a recent success story of one of his funds, Incorporated Investors. Early this year, it put some $4-million into four British steel stocks; the shares are now worth close to $10-million. Parker regards the British steel as still undervalued at present prices.

• **Pension Fund Buying**—Regardless of their caution on prices, the institutions will still be funneling lots of money into equities—much of it by the pension funds, which show an increasing propensity toward commons.

At the end of 1958, the trusteed pension and profit-sharing funds of U.S. corporations had assets worth $22.1-billion at book value, $2.8-billion more than the year before. Some $6-billion of this was invested in common stocks—or 27% of total assets, up from 25% in 1957 and only 12% in 1951. Based on market values, common stock investments totaled $9.5-billion, or 39% of total fund assets. At the end of 1957, the share was only 30%. Net stock purchases climbed from $800-million in 1956 to $1-billion in 1957 and $1.2-billion last year.

Pension fund managers foresee no switch in the trend toward commons, though a few have been more selective in recent weeks, and a few have even sold off stocks. "There's no reason for us to slow down," says the manager of a steel company fund. "We've got long-range objectives, and common stocks can do more for us over the long pull than bonds can—no matter what the yield." **END**

Re-tire-ing the un-ux-o'ri-ous*

by Carlton H. Gilbert



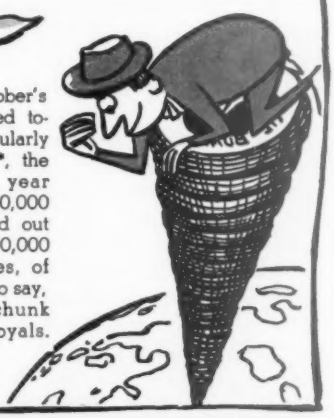


Carlton H. Gilbert
Director of Advertising
United States Rubber Co.

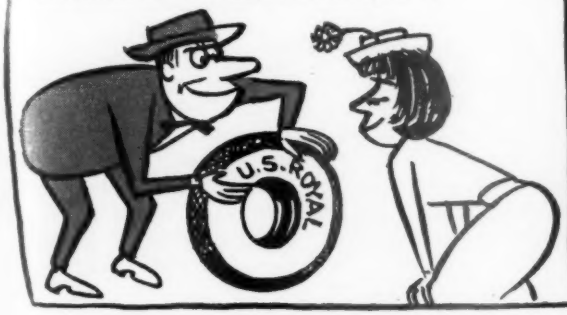
"Make no mistake, re-tire-ing the un-ux-o'ri-ous* doesn't mean putting him out to pasture . . . on the contrary, to U. S. Rubber it means keeping him on the road in comfort and safety . . . Tires, you see, are one of that growing list of family purchases where the man makes the brand decision, so . . .

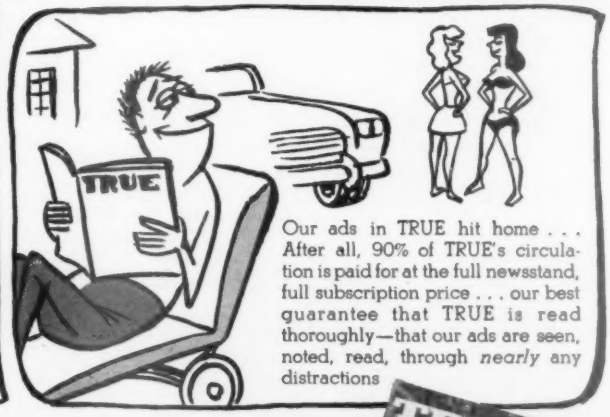


"Naturally, U. S. Rubber's advertising is directed toward *men,* and particularly to the un-ux-o'ri-ous*, the TRUE MAN. Last year alone, TRUE's 2,300,000 un-ux-o'ri-ous* shelled out a walloping $92,000,000 for brand new tires, of which, we're happy to say, a mighty healthy chunk went for U. S. Royals.



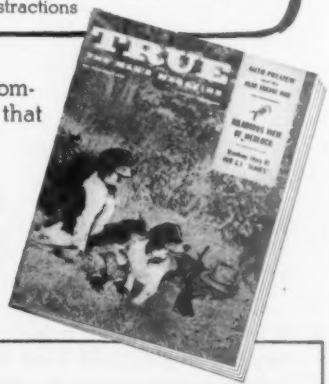
"The little lady's a cinch to pick out the seat covers and maybe the paint job . . . but tires, engines, carburetors, differentials . . . well, they're a man's game . . .





Our ads in TRUE hit home . . . After all, 90% of TRUE's circulation is paid for at the full newsstand, full subscription price . . . our best guarantee that TRUE is read thoroughly—that our ads are seen, noted, read, through *nearly* any distractions

"So if you have a product that's made for men, bought by men . . . I recommend you treat yourself to a real experience. Sell the un-ux-o'ri-ous*—sell that selective group that can and does buy the products advertised in . . .



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the MAN'S Magazine

A FAWCETT PUBLICATION

* Un-ux-o'ri-ous—not excessively or dotingly submissive to a wife.

AUTO MEN, INSURANCE COMPANIES, DISTILLERS and, altogether, 12 major consumer industries depend upon the un-ux-o'ri-ous* man for that all important *brand decision!*

Write for the TRUE report on your industry

In the Markets

• • •

Stocks as a Whole Remain Undecided But Studebaker-Packard Runs Wild

The stock market continued this week in the shadow of the steel negotiations. This was evident as stock prices failed to make much headway in the face of record dividend payments, several juicy stock splits—including 2-for-1 splits by Westinghouse and Stewart-Warner—and earnings reports that, despite strike-affected companies, generally made excellent reading.

Increasingly, brokers are emphasizing the economic problems that have accompanied the strike. Few believe that stocks are likely to decline substantially, but **there's more doubt as to whether the market soon will be able to top the August high.**

Frantic activity continues in the three Studebaker-Packard stock issues (BW—Oct.24'59,p145)—its common (trading at midweek at $28.37), "when issued" common ($19.12), and convertible preferred ($618).

On Wednesday, the start of trading in the common was delayed on the New York Stock Exchange because of a huge accumulation of buy orders. It took two hours to sort this out; the stock reopened with a block of 75,000 shares changing hands at 29, a new high, up 2⅜ points from the previous close.

By 12:30, however, a flood of sell orders—from traders eager to take profits—forced another suspension, this time in the "when issued" as well. Trading in the "when issued" reopened at 2:01, but the common didn't trade again until seconds before the market closed.

After the close, Exchange officials ruled that all "stop" orders in either the regular common or the "when issued" stock were to be canceled immediately and no new ones accepted.

• • •

Capital Shift at Distributors Group May Bolster Dominant Shareholdings

A novel development in the new practice of reclassifying mutual fund management company stock into voting and non-voting shares (BW—Sep.5'59,p87) is being put forward by Distributors Group, Inc.—which wholesales the shares and oversees the $175-million assets of 20 Group Securities mutual funds. It could result in stepping up the voting stock holdings of Herbert R. Anderson, president, and Harold X. Schreder, executive vice-president, from 71% to 100%, while allowing them to sell their non-voting stock to the public.

Under the proposed reclassification, to be voted on Nov. 4, **holders will get 2-1/10 new shares for each old share which had voting rights. Two shares will be non-voting, but holders will have the option of taking the 1/10 share in voting or non-voting stock.** In a company letter, the minority shareholders, who now hold 29% of the stock, were told that, "By reason of better marketability to be expected in the larger issue of non-voting stock, several substantial minority shareholders have expressed the intention to take the entire amount in non-voting common."

However, Anderson and Schreder will take their 1/10 shares in voting stock, and if no other shareholders do so, the two officers will own 100% of the voting stock, while their proportion of non-voting will drop slightly below 71%.

The reclassification would pave the way for a public sale of Anderson and Schreder's non-voting holdings.

• • •

World's Fourth Highest Building Finally Falls to Webb & Knapp

After a 2½-year campaign, William Zeckendorf, as president of Webb & Knapp, Inc., this week bought the 70-story skyscraper at 40 Wall Street—the world's fourth tallest building (picture)—for a bid of $18.15-million, **making it the most valuable realty property ever put up at public auction.**



In January, 1957, Webb & Knapp began buying stock in the Forty Wall Street Building, Inc. When it had acquired two-thirds of the 377,740 outstanding shares, Zeckendorf offered to buy the building for $15-million. Minority stockholders objected that the price was too low, and a court referee ordered a public auction with an upset (minimum) price of $17-million.

Although some 400 people crowded around the auctioneer, **there were only two bidders: Zeckendorf and Walpine Realty, Inc.,** a syndicate formed expressly for the purpose. Each bidder had to post a $200,000 check in advance. Forty Wall Street Building, Inc., will be liquidated within a year. After paying off $4-million in debentures and other debts, the assets will be distributed among the stockholders, including Webb & Knapp.

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Markets Briefs

SEC lowered the boom on a group of bowling alley promoters who had sought to raise about $4.7-million through sale of common stock and debentures to the public. SEC stopped the sale because, it said, the promoters had made "flagrantly false and misleading statements" in the registration statement of the company, Sport Arenas (Delaware), Inc.

The shift by giant mutual funds to contractual plans (BW—Oct.10'59,p152) is picking up momentum. Within the next four months, New York's Financial Planning Corp. expects to market shares of Boston's conservative $350-million Incorporated Investors through these plans.

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The cold logic of better chemical service

It's logical for a good chemical supplier to anticipate his customers' needs. At Olin Mathieson, the Chemicals Division has just committed $30,000,000 to make sure its customers continue to get the kind of service they need. Here's what's in the works.

Construction of new facilities has begun at the Brandenburg, Ky. plant for the production of glycerin, epichlorohydrin, propylene oxide, propylene glycol and polypropylene glycols; as well as expansion to double production of glycol ethers, surfactants, and ethylene dichloride. Construction of a new plant is under way to produce sulfamic acid at Joliet, Ill. A new electrolytic cell program to increase chlorine tonnage is going forward at Niagara Falls, N. Y.

To you as a buyer, this is additional assurance that the chemicals you order from Olin Mathieson will always be available when, where, and how you want them. Your Olin Mathieson representative will be glad to explain the logic of Olin Mathieson chemical service and prove it to be a wise, economical choice.

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Paul Radkai



MANY HAPPY RETURNS . . . WITH CHAMPION PAPERS

Sending and receiving cards is fun no matter what the age or occasion. And part of the pleasure is reflected in the quality of the paper on which they are printed. Greeting card manufacturers print millions of cards each year on Champion papers because crisp feel, good printing and writing qualities and bright appearance keep customers coming back for more. Repeat business is a product's best endorsement.

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GENERAL OFFICE: HAMILTON, OHIO • SALES OFFICES AND DISTRIBUTORS IN MAJOR CITIES

CHAMPION SETS THE PACE IN PAPERMAKING

PERSONAL BUSINESS

BUSINESS WEEK
OCT. 31, 1959



Weighing bonds vs. stocks for personal investments? High yields plus informed tax handling—enabling you to take stock profits and put them into bonds while avoiding taxes on big capital gains—point up two reasons for the current interest in bonds.

U. S. government bonds yield about 4¾% and corporate bonds return 6% or more. Tax-exempt state and municipal bonds (free of federal income taxes) offer from 3¼% on a one-year maturity to 5¼% for a 25-year maturity (BW—Oct.24'59,p154). The 3¼% return, it's well to note, is equal to a 5¼% taxable rate for an investor in the 38% tax bracket, 6½% if you're in the 50% bracket, and 36.11% for the 90% bracket.

If you're considering taxable bonds, beware the distinction between high coupons and high "yields to maturity." The attraction of high coupon rates may mislead you. For example, the Treasury's new 5% notes due in 1964 looked very attractive. Actually, you probably could do better taxwise by buying, say, the 1½% notes, also due in 1964. These notes were recently priced at $860 for $1,000 par value—a $140 discount—with about a 5% "yield to maturity."

The "maturity yield" is figured by taking the $140 discount, dividing it into yearly parts from now until 1964, and adding the parts to the 1½% yearly interest rate. You pay the ordinary income tax rates on the very low 1½% yearly interest, and the low, long-term capital gains tax (maximum 25%) on the $140 profit you get at maturity.

Thus, for a 50% bracket investor, the government would have to offer a 6.3% coupon bond, taxable at ordinary rates, before its after-tax return would equal that of the 1½% notes.

Here are a few other tax pointers on bond investments that could mean considerable savings:

Say you own stocks with "paper profits" and government bonds with "paper losses." The stock market's recent shake-out concerns you, but you face a big capital gains tax if you sell. What you'd like to do is to establish some tax losses on your bonds to balance the profits you want to take by selling some of your stocks.

In this situation two important, but little-known, Treasury rulings made earlier this year can be important. They permit you simultaneously to sell and buy government bonds with the same maturities and different coupons, or different maturities and the same coupons. **Thus, you can make "tax losses" out of "paper losses" without disturbing your government bond "maturity yields" or maturity schedules.**

The actual cases involved were: (1) Selling a 3½% government note, due May 15, 1960, and buying a 3¼% government note, due May 15, 1960; (2) swapping a 3% bond due February, 1964, for a 3% bond due August, 1966; and (3) switching a 3½% note due November, 1959, for a 3½% note due May, 1960.

In each case, the Treasury held that the securities were "not substantially identical," thus the transactions were not "wash sales," and the tax losses were allowed.

Caution: While these broad rulings can work to your benefit, you'd be wise to check with your tax adviser to be sure the interest rates or maturities are sufficiently far apart.

Deferring income taxes by bond exchanges may become possible. A federal law now gives the Treasury authority to allow investors to defer capital gains taxes by exchanging old government bonds for new issues.

A tax expert cites this example: Say you buy a $1,000 bond at a discount price of $940. Under the old rule, when the bond matured you would pay a tax on the $60 capital gain—as high as 25%, or $15, depending on your tax bracket. **Under the new rule—assuming the Treasury acts on its authority—you could use your old bond to pay for a new one coming due at a later date, and thus defer capital gains tax until the later date.**

—•—

Travel tips: If you plan to attend the Olympic Games at Rome next year (Aug. 25-Sept. 11) and want a car at your disposal, better reserve it as soon as possible. Advance 1960 car bookings are already heavy. By the way, the new Olympic Road, Strada Olympica, part of the Milan to Naples toll superhighway, is expected to facilitate driving in and out of Rome during the games. You can get a listing of dates and locations of Olympic events from Auto-Europe, 25 West 58th St., New York 19.

For the college student in your family who's interested in going abroad next summer, make a note that bookings for five chartered transatlantic sailings for students will begin in a couple of weeks. For English ports, one-way travel fares range from $196 to $206 and for Mediterranean ports, $245 to $272. Write Council on Student Travel, 179 Broadway, New York 7.

—•—

Office humor: Leading candidates for fun gifts to your business colleagues are two new publications, **The Pink Slip** by Bill Longgood and Ed Wallace (McGraw-Hill, $3.75) and **"How Were Things at the Office?"** by Wright Everett (Simon & Schuster, $1.95). The former spoofs corporate role-playing in a knowing way, while the latter teams timely business captions with oldtime movie "stills."

—•—

Stamp search: **Keep your eye out for a Canadian St. Lawrence Seaway Opening commemorative misprint.** You can spot the error by looking at the maple leaf and eagle on the 5¢ red, blue, and white issue—they're inverted. A canceled misprint is worth at least $100.

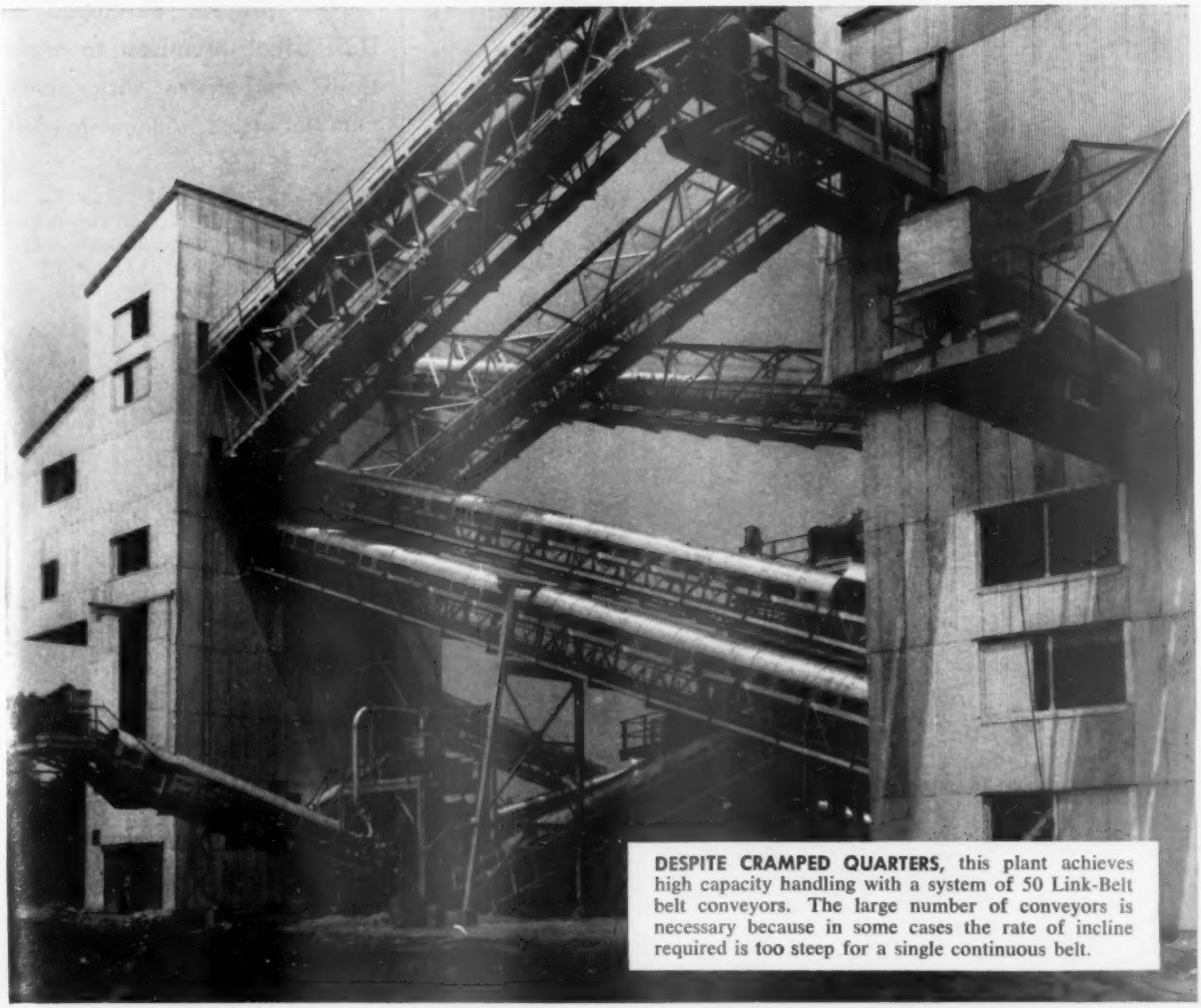
When the misprint—described as perhaps the most sensational news in Canadian philately—was first discovered, **dealers paid $1,000 apiece for each unused stamp.** Indications are now that three error sheets probably got by, making **a total of 12 panes or 600 stamps.** With perhaps 300 mint (unused) copies likely to be located, **offers probably will go up to over $1,000 per stamp**—a handsome profit for a recent 5¢ issue.

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Gadgetry: For your walks and driveways, you can get a new heavy-duty **Snow Thrower,** powered, 89 lb., 3¼ hp., that will throw snow 16 ft. (Moto-Mower, Richmond, Ind., $119.95) . . . And for operating electrical appliances from your car battery, **a converter called Sportsman supplies 110 volts a.c.** (Terado Co., Saint Paul 8, Minn., $29.95) . . . **Ronson has a butane-fueled windproof lighter, reportedly the first gas-powered outdoor lighter with adjustable flame (Varaflame Windlite, $9.95).** It's refueled from a butane injector. . . . Schick also sells a butane lighter with an adjustable flame refueled by sliding a new fuel tank in to replace the empty one ($8.95 up).

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Ore climbs high on moving "stairway"



DESPITE CRAMPED QUARTERS, this plant achieves high capacity handling with a system of 50 Link-Belt belt conveyors. The large number of conveyors is necessary because in some cases the rate of incline required is too steep for a single continuous belt.

LINK-BELT engineering makes the most of the basic economy and flexibility of belt conveyors

BELT conveyors handle almost any type of bulk material . . . in small amounts or tremendous tonnages . . . over routes from a few feet to miles long. They can climb steep inclines, travel through tunnels or ride high above ground on lightweight structures. And they do it all at low per ton costs.

These inherent benefits are developed to their fullest by Link-Belt. Experience with all types of materials and applications enables us to custom-tailor belt conveyor systems to any combination of requirements. Our engineers have industry's most complete idler line to work with — plus a full range of pulleys, drives, terminal machinery and auxiliary equipment.

For complete belt conveyor details, write LINK-BELT COMPANY, Dept. AV, Prudential Plaza, Chicago 1, Ill. Ask for our directory, "Link-Belt at Work."

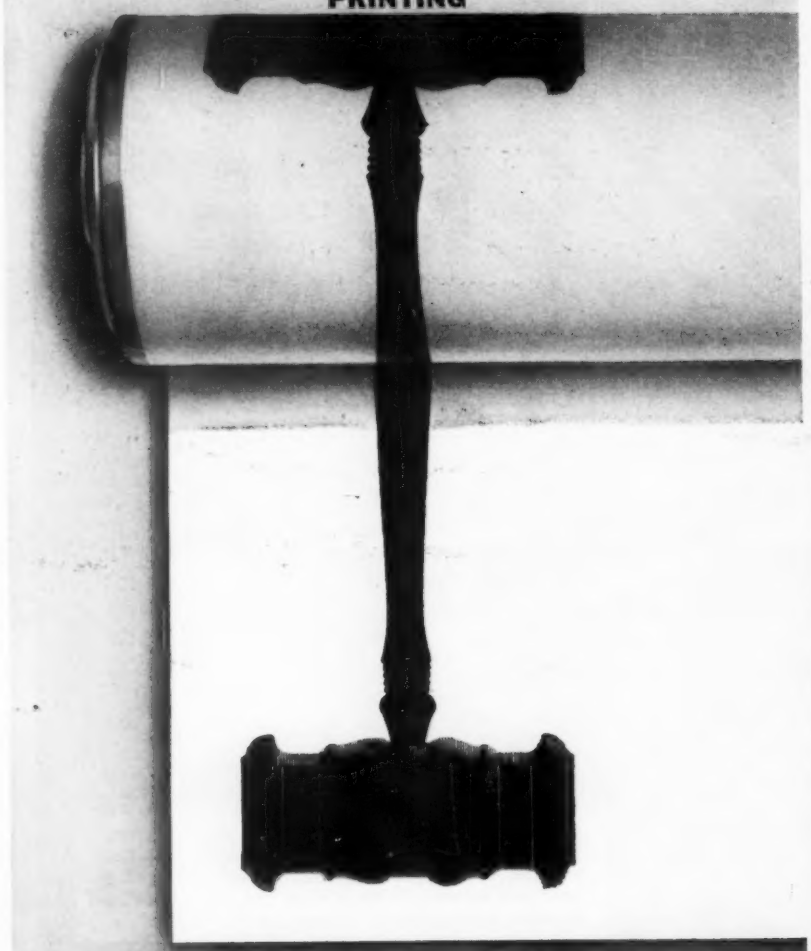
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Paper brightened with Cyanamid's Calcofluor White snaps your readers to attention, spells prestige, makes pictures pop, colors glow, sharpens black-and-white illustrations, guarantees quicker, easier reading.

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PRODUCTION

Windows

New process developed by U.S. Steel promises to make steel competitive with aluminum in office window market.

Into a string of artfully-designed rolls in the pictures at right goes a flat strip of stainless steel. At the rate of 12 feet in 10 seconds, out comes a roll-formed length of material to make up the stainless steel window frame and sash at far right.

Until now, stainless steel windows have been admired for their polished look and ease of maintenance, but even in quality orders they have cost 20% to 35% more than aluminum windows. So their use has been limited to installations where cost is no worry. Still, sales have grown from nothing five years ago to around $5-million this year.

The process shown in the pictures is U.S. Steel Corp.'s contribution to putting stainless into big volume. The company engineered the shape, material, and forming rolls; Standard Products Co., which helped develop the process, is the only manufacturer yet licensed by U.S. Steel.

• **Mass Output**—Other companies sell stainless steel windows, but they generally get outside jobbing mills to roll their sash and window frame sections for them. These companies also tailor the design of their windows to suit each customer's whim, which adds to the cost.

The U.S. Steel process now puts the manufacture of stainless steel windows on a mass production basis. It also uses a lighter gauge of steel. The windows Standard Products produces at this time, however, are of a type that is only really suitable for use in the larger office buildings. The process can be set up for other types whenever they become standardized sufficiently to promise big volume.

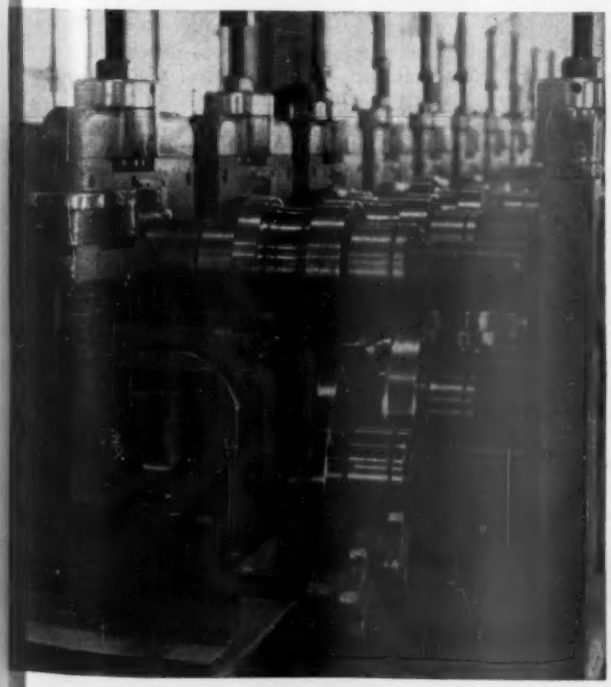
• **Three Pieces**—The window assemblies are made up of three pieces. The window frame is one of them; the sash comes in two pieces, a quarter-round section being left detached until the glass has been installed. Screws then hold it in place.

The stainless strip, only .025 in. thick (aluminum extrusions for windows are generally ⅛ in. thick), comes out of the rolls continuously and is cut off for use. Corners of the frame and sash are locked together by L-shaped pieces held by an epoxy adhesive. This eliminates welding, which could be tricky in such thin gauges.

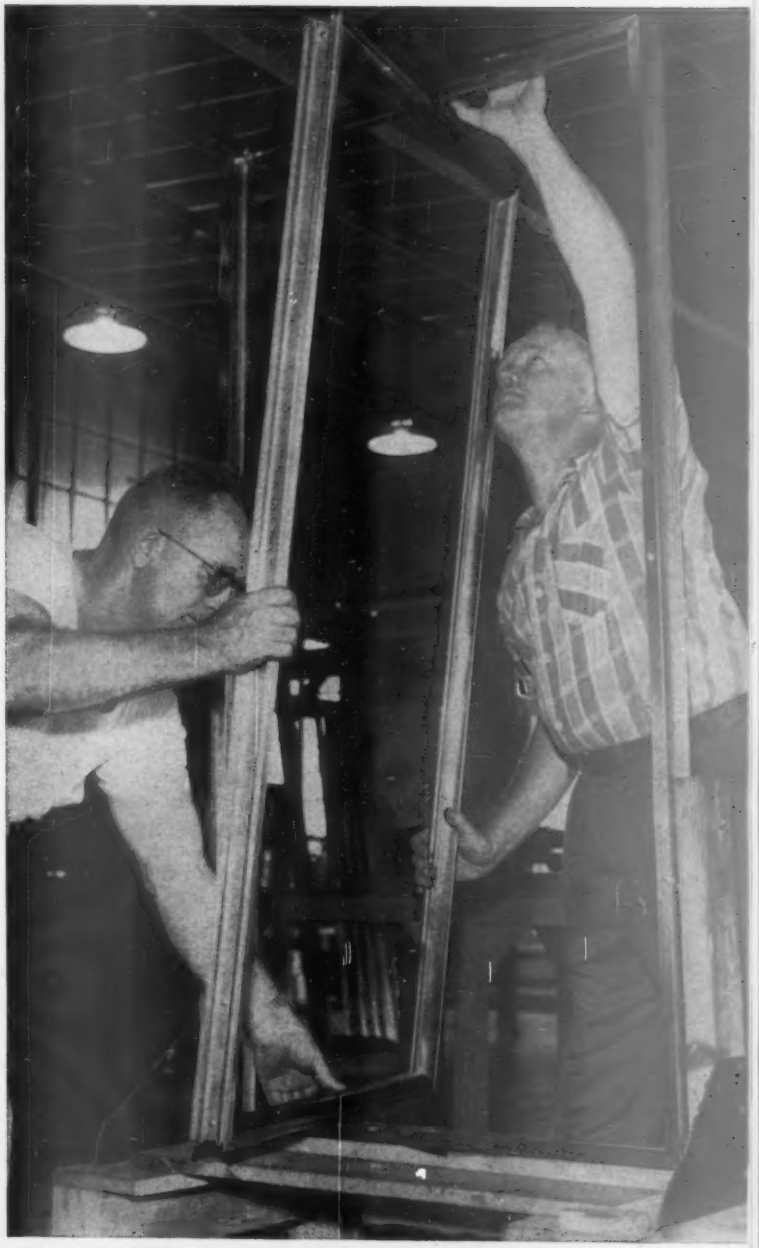
Rolled Fast in Stainless Steel



FLAT STRIP of stainless steel goes into set of rolls that may put as many as a dozen longitudinal bends in it.



FORMED PIECE for window frame comes out at far end. Each roll is a step in shaping.



FINISHED WINDOW is assembled at Standard Product Co. plant in Saint Clair, Mich., only manufacturer licensed by U. S. Steel.

Forest Vehicle Performs Half a Dozen Jobs



The Buschmaster (left) is a forest vehicle designed to do work that ordinarily requires six or more conventional earth- and tree-movers. It can be used in fire fighting, building roads, earth-moving, tree planting, site preparation, spraying, and building fire lines.

To do these jobs, the Buschmaster comes equipped with hydraulically operated bulldozer and grading blades; a self-contained water system that holds 550 gal. and generates a water fog for fire-fighting; a back-firing unit with a flame-thrower for burning out brush; a fire plow that can cut fire lines—clear lanes—8 ft. to 10 ft. wide; and a winch. A draw bar enables it to handle scrapers, tree planters and other attachments. One unit can protect and maintain up to 40,000 acres of forest, according to the manufacturer.

The Buschmaster will sell for $27,742 and up. It's made by Gar Wood Industries, Inc., Wayne, Mich., and sold and serviced by Timberline Equipment Co., Bradley, Ill.

Oil Well Pipe Has Built-In Perforations

System developed in Canada uses permeators screwed into the pipe wall.

Perforating an oil well pipe so the oil can run in is a tricky job. By standard methods, the holes are put in with a gun lowered into the pipe after the pipe has been sunk and the cement jacket surrounding it has set. But this does not always bring satisfactory results. A new system, which will be introduced commercially this fall, promises greater efficiency in completing certain types of wells. It uses oil pipe with "permeators"—sets of telescoping stubby steel tubes—screwed into its wall.

• **How It's Done**—The permeators are collapsed so that they only stick out about 1¼ in. from the pipe wall when the pipe is being lowered. They also are sealed. This is necessary because after the pipe is run down to the bottom of the well, cement is pushed down the pipe under pressure so that it moves out the bottom and up between the outside of the pipe and the wall of the well. The cement seals the well so water and foreign matter won't get in. It also helps to brace the pipe. If the pipe came with open holes, it wouldn't be possible to run the cement down. And you couldn't be sure of sealing the well or getting the right pressure conditions when attempting to bring the oil up.

Immediately after the pipe and cement are in place, hydraulic pressure is used to make the permeators telescope out to a maximum length of 2½ in., breaking through the wet cement to make contact with the oil-bearing rock or sand. When the cement has hardened, successive treatments of acetic and hydrochloric acid are applied to eat away the seal inside the permeators.

• **The Advantages**—The new method has many advantages over the customary practice of using a gun to fire steel slugs or jets through the pipe wall and cement jacket. For one thing, the gun sometimes cracks the cement or disturbs the rock formation containing the oil, both of which may cause well failure. For another, it's sometimes difficult to aim the gun down-hole. Under the new system, the pipe is assembled with the permeators in the right position so they will be at the pay-zone level—where the oil is—when the pipe is lowered into place. The steel "tunnel" the permeators form through the cement also reduces the possibility of cement deterioration from the acids and other fluids used in treating the well.

The new system is especially suited for wells with strings of single pipe, according to Petroleum Week, a McGraw-Hill publication. Ordinarily, a string of pipe is double, with an outer casing and an inner tubing. Single-pipe strings, called tubingless completions, cost much less because they permit construction of a smaller-diameter well and use less steel. But, with several single pipe strings in one well hole, it's difficult to shoot perforations into one pipe without accidentally hitting a nearby pipe. The new method solves this problem.

• **Cost**—Permeator pipe was developed by National Petroleum Co., Calgary, Canada. After several years of field testing, the company is now ready to offer its system for commercial use. Stiles Engineering, Inc., will engineer and supervise use of the system in Southwestern oil fields in the U. S. Each permeator unit will sell for $15. Conventional perforating costs about $7 to $11 a hole, but Stiles expects the cost differential to be offset by increased efficiency and reduced down-time.

Among other possible drawbacks of the new system: It creates no channel in the oil-bearing rock, unlike gun-perforating, so higher pressures may be required to get out the oil. Correcting mistakes in cementing or permeator location is difficult and expensive. And the size of the hole controls the size of the pipe, to a greater degree than in conventional perforating. The 2½-in. stretch of the permeator means hole diameter can't be more than 5 in. wider than the outside pipe diameter. **END**



PHOTOGRAPHS COURTESY OF STEELCASE, INC.

Low cost strapping station incorporates Signode power strap feeder and combination strapping tool. Flange-holding fences support strapping at right height. Table adjusts for various size cartons.
Inset: packaged desks stack neatly, four high.

Signode way cuts time and cost

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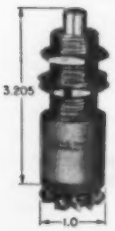
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ECONOMICS

New Forces Propel U. S. Growth

So say McGraw-Hill economist Dexter Keezer (right) and associates in new book predicting stability and growth in the '60s.



Since the catastrophe of the 1930s, the U. S. economy "has undergone basic changes . . . which give powerful support to the expectation that relatively steady growth and prosperity will be the general rule, rather than the nervously embraced exception to the rule, over the next decade."

That's the central conclusion and unifying theme of a new book, New Forces in American Business—An Analysis of the Economic Outlook for the '60s, by Dexter M. Keezer and five associates in the McGraw-Hill Publishing Co. Economics Dept.: William H. Chartener, Douglas Greenwald, Robert P. Ulin, E. Russell Eggers, and Margaret K. Matulis.

The authors single out five new forces responsible for their optimistic conclusion:

- A stronger and steadier wave of business investment in new plant and equipment.
- Growing research and development programs by business.
- The continuing increase of middle-income families—with growing appetites for consumer durable goods.
- More skillful marketing techniques—advertising, packaging, pricing, credit plans—to whet consumer appetites.
- Government's new role, broadly accepted by both political parties, in insuring relative stability and high employment and in safeguarding business competition.

• **Investment Specialists**—Keezer and his colleagues speak with special authority on business investment, because of their pioneer research in this area through the annual McGraw-Hill capital spending surveys and their continuous contact with many U. S. companies.

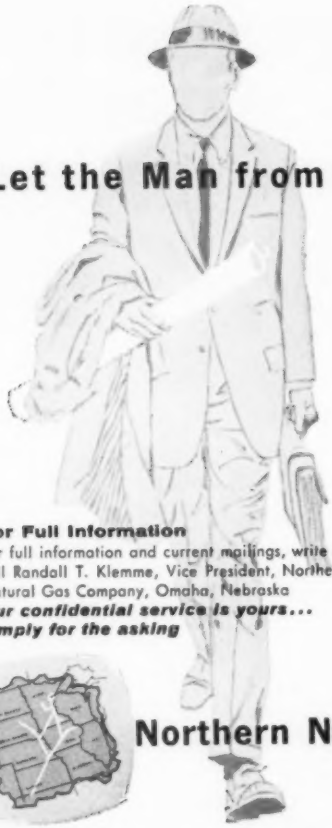
Keezer accepts the contention of Harvard's Alvin H. Hansen that, "investment is the key to both short-run stability and long-term growth." And Keezer addresses himself to Hansen's warning that the rate of investment required for full employment can't be sustained because "a boom level of investment, maintained for several years, causes the stock of capital to increase so rapidly that further investment eventually becomes unprofitable." "That," says Hansen, "sounds the death knell of every boom."

But Keezer contends that, in the 1960s, business investment in new plant and equipment will be vast and relatively steady.

• **Reasoning**—Keezer and his colleagues give several reasons for this belief. For one thing, they say, labor costs will rise in relation to the cost of plant and equipment—which means a push to substitute capital for labor. But this won't spell heavy unemployment. On the contrary, the push toward capital spending will be augmented by a shortage of manhours relative to expanding production requirements. For the labor force will be shrinking as a percentage of total population—and the work week will be shorter.

At the same time, the total population will be growing quite rapidly, and with it the demand for goods. The U. S. birth rate shows no signs of slipping back to prewar levels, and medical science keeps extending the length of life.

• **Fight Against Obsolescence**—Business needs heavy investment just to overcome old age and obsolescence of equipment. A McGraw-Hill survey last year found that it would cost $95-billion to replace all obsolete facilities (BW—Sep.27'58, p121). Heavy capital spending will also



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. . . Keezer feels that innovation is the real generative force behind expansion of the capitalist system . . .

(STORY on page 129)

be required to obtain some key raw materials. For instance, the steel industry must invest in facilities to process lower-grade iron ores, such as taconite, at a cost of about $50 per ton of annual capacity. The oil industry must probe deeper for its crude. And society as a whole will have to spend more to protect water resources and guard against air pollution.

• **R&D Push**—Finally—and perhaps most importantly—industry has been tremendously expanding its research and development programs to devise new products and processes. In stressing the role of research, Keezer heavily supports the thesis of Harvard's late Prof. Joseph Schumpeter that innovation is the real generative force behind the expansion of the capitalist system.

Keezer & Co. list a number of innovations that should propel the system in the years ahead: nuclear energy, solar energy, high-temperature plastics, ductile ceramics, wonder-metal alloys. There are also new processes such as chemical milling, spark and electrolytic erosion, explosive forming, and powder metallurgy. The authors expect change in a broad range of industries—not just in chemicals, oil, and space, but also in consumer goods.

• **No More Shocks**—Despite Schumpeter's emphasis on innovation as a force for growth, he also thought it was the root cause of instability. An important innovation such as the railroad or the auto, he argued, would push the economy forward, but sooner or later the push would exhaust itself and there would be a flop. Keezer disagrees—at least for the new-model U. S. economy. Innovation is now a force for stability, he contends, because "when the process of innovation is as sweeping in scope and continuous as that provided by a yearly expenditure on research of more than $9-billion, the disturbances lose their isolated character and become merged in a steady surge of economic growth."

Research contributes to stability in another way, he adds—by changing the very structure of industry. Corporations merge, diversify, move into new products, and this frees them from slavery to the market for one particular item. Moreover, research creates whole new industries and provides more room for the "rolling readjustment" by which one industry's cycle cancels out another's.

• **Live Cycle**—But the authors by no



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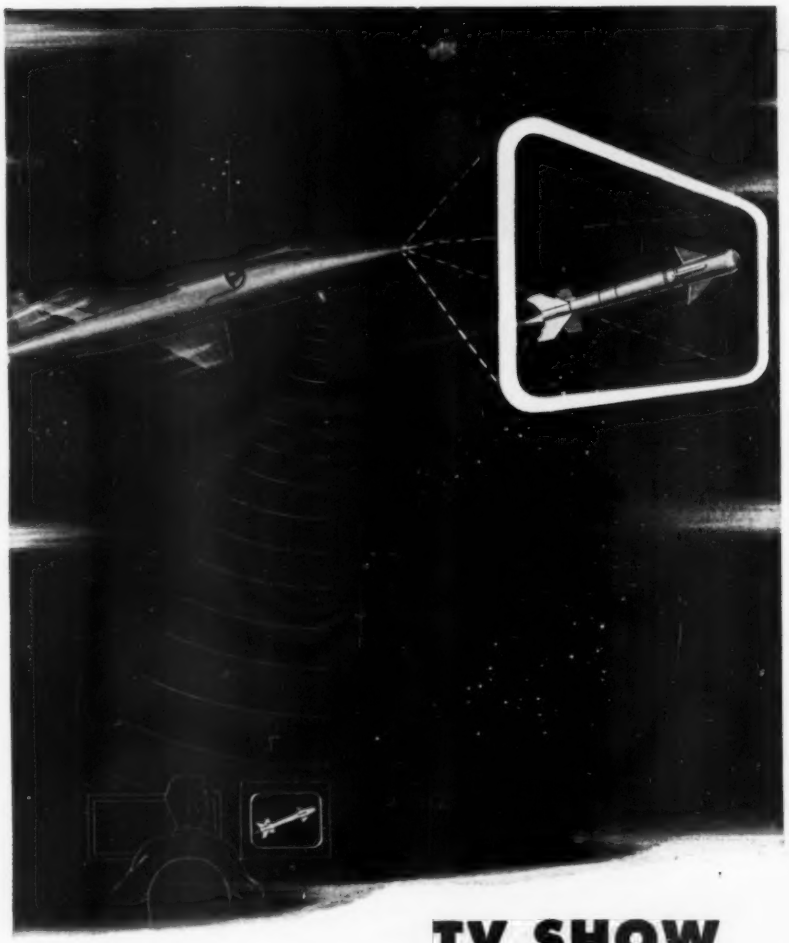
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means suppose the business cycle is dead, though they think it has moderated. They can envision a recession with a 5% drop in gross national product or 7% unemployment.

Their prognosis is based partly on the government's role as a stabilizer. The government can act "powerfully to counteract a recession by reducing taxes, by spending more on its own civilian programs, and by increasing grants-in-aid for state and local construction." Keezer attributes the new attitude toward the federal budget as a force for stability largely to the influence of British economist John Maynard Keynes, whose General Theory of Employment, Interest, and Money he describes as "one of the most important books of this century."

• **Likes and Dislikes**—The book by Keezer and associates is likely to be received more enthusiastically by business than by academic circles—for several reasons:

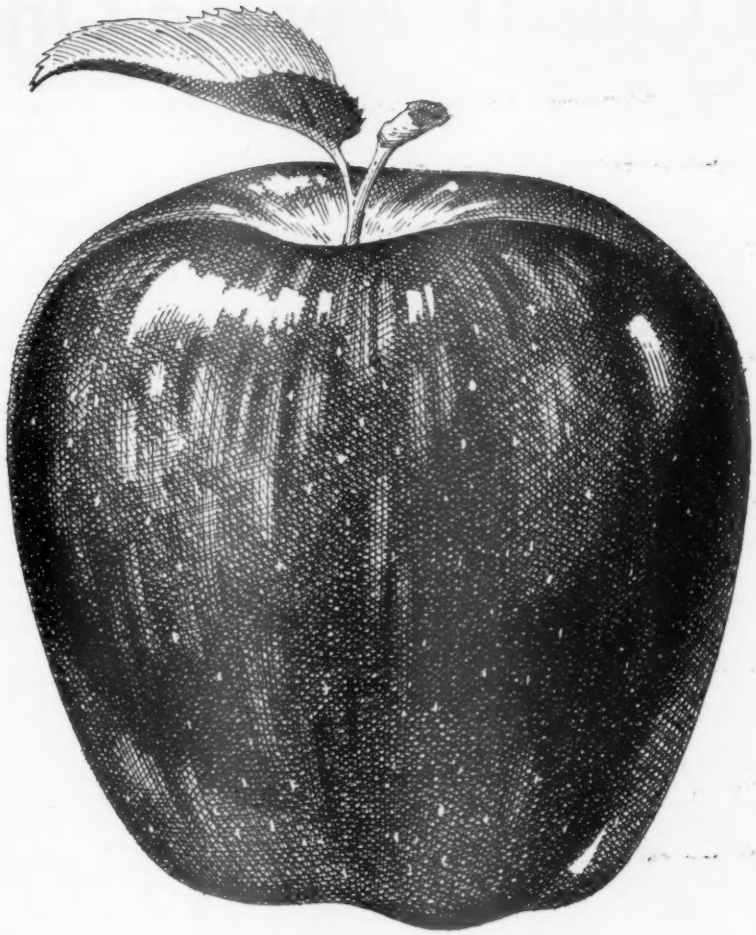
• It is steadily optimistic in tone. Business loves optimism; the academic community regards it as square.

• It is readable and nonmathematical. Keezer denies that mathematical symbols have "a closer companionship with the truth than the same thing said in words."

• It is extremely firm in its forecast. Keezer says this firmness comes "out of a habit bred of business necessity."

• **Some Agreement**—Some economists will agree with the book's finding that new forces have made the economy more stable. Harvard's Prof. James S. Duesenberry, for one, has made this case in his Business Cycles and Economic Growth (McGraw-Hill, 1958). But many in the economic fraternity will remain unconvinced. For instance, V. Lewis Bassie of the University of Illinois has for several years been expecting a really serious downturn that government policy will be powerless to prevent. A conservative such as Dr. Melchior Palyi anticipates trouble from soaring private debt and contraction of the nation's gold reserves. Yale's Robert Triffin spots the makings of an intense international liquidity crisis (BW—Sep. 26'59,p118).

Keezer admits some developments—including human stupidity or cussedness—could blow his forecast sky-high. "So what to do?" he asks. "Play it safe professionally by waiting to see what has happened and then reporting that it has happened, and why? We think not. Sighting new forces making for more steadily sustained growth and prosperity, we think it would be positively derelict of us not to array them, lest through inadvertence they be dissipated or destroyed. We much prefer the risk of being destroyed by perverse events rather than by timidity." END



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Early Autumn is one of our happiest seasons, for it is then we haul from the Wenatchee Valley of Central Washington the first of a new crop of wonderful apples, famed the world over for flavor perfection.

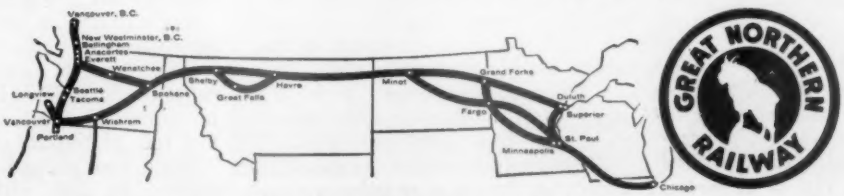
Since early Spring, when the valley exploded into bloom, we've watched the fabulous orchards—and every time we have come highballing down out of the Cascades we've seen another year's apple crop coming closer to harvest color.

When the fruit has been picked, graded and boxed, it's Great Northern's turn—to load refrigerator cars (properly cooled or warmed, depending on outside weather) and hurry these superb apples to you.

We've had a wonderful partnership through the years with the apple-growers in the Wenatchee region. We welcome the responsibility of taking their perishable produce to market—and believe they like having us do the job.

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Granite City Thrives on One Line,

Protected market (map) and high product yield keep steel company—one of few operating throughout strike—among industry's top earners on sales.

While most of its competitors agonized their way through more than 100 days of high fixed charges and no income, Granite City Steel Co. worked straight on through the strike and right up through this week—one of the few carbon steel producers to do so.

This was fortunate, not only for the company and its chairman and president, Nicholas P. Veeder (cover and right), but for the U.S. economy as well, since GC's product line concentrates almost exclusively on items which have been about the most scarce and the most strategic.

It may not have been so good, though, for Granite City's popularity among other companies in the industry. In part, that stems from the industry's unprecedented solidarity this year, when larger producers and smaller, better-financed and worse, stood up to the costs of a record-breaking strike.

And in part, it stems from the natural reluctance of competitors to see one of their number free to roam unrestricted in their favorite markets. For although it's small, Granite City is inordinately a factor in the cold-sheet, galvanized, and tinplate markets. Hence, its competitors there are uneasy.

• **How It Happened**—The company's freedom to operate came when it signed a USW contract extension agreement which makes retroactive the costs of such settlement as finally is reached. Quite a few small producers, most of whom concentrate on specialty steels, did the same thing and no one was upset about that. Granite City, though, was one of the largest to do so.

The result—reported this week—was record third-quarter sales of $34,431,000, and earnings of $3,248,000, third highest for any third quarter.

One thing that made some in the industry especially unhappy was that under the extension agreement with the United Steelworkers (there's a separate extension with another union for blast furnace workers) the company accepted the clause protecting existing work practices just as it was in the old contract.

The labor relations policy that has enabled Granite City to operate under contract extensions through two national steel strikes dates far back. GC's predecessor company, in fact, had a contract with the old Amalgamated Assn. of Iron, Steel & Tin Workers since 1899.

• **Special Case**—The company's strike-free situation is only one of several factors which makes Granite City considerable of a special case in steel.

For example, probably only to a few, if any, American steel producers have the last 20 years been so useful. For when they began, the company was a small, semi-integrated and purely local producer located at Granite City, Ill., across the river from St. Louis.

Today, it's an ever-so-rapidly growing company located strategically in an area where it pretty much commands a fairly inaccessible steel market.

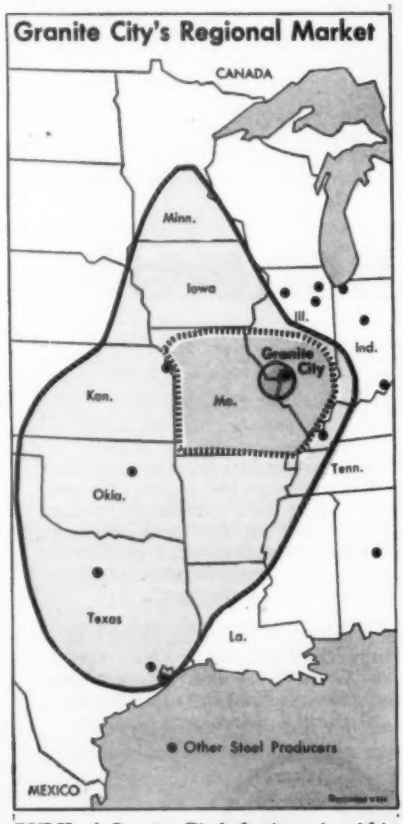
• **Simple Strategy**—Perhaps most intriguing about this producer is its strategy for what it considers a genuinely handsome future. That strategy is simple, and it can be expressed in four words: more of the same.

That means more growth—to continue at the faster-than-the-industry pace it has marked up for years.

That means more earnings—which already are striking in an industry whose earnings aren't very striking at all.

That means sticking close to a pretty narrow concept—all production in one plant and all in one form—flat.

And most of all, it will require the kind of fiscal, technical, and managerial agility that enables David to beat off quite a few Goliaths, quite a few times.



BULK of Granite City's business is within solid line, in area it can serve by truck, rail, barge. Inside broken line, company fairly well dominates market in its flat-rolled product line. It ships 35% of its product in metropolitan St. Louis alone.

I. The Past Is Prologue

Probably the best one-sentence summation of Granite City's last 20 years is this: It stayed alive when more than a few like it didn't.

That is to say, in a period when quite a few non-integrated or semi-integrated producers found it wise to merge, or to concentrate on specialty steels, or to become premium-price producers, Granite City did none of these things.

Instead, it integrated—by buying two nearby merchant blast furnaces from Koppers Co. that gave it control over its life-blood—iron—and improved its control of costs. Hence it was probably the most strategic of all GC's moves.

• **Everybody's Doing It**—Apart from acquiring its own iron, Granite City's postwar story is a good deal like that of so many other steel producers. It had two primary tasks—to expand madly, and to rebuild old plant.

As did so many other steel producers it accomplished these jobs smartly.

From 1946 to 1950, it raised capacity not quite 50%, and by 1954, it had slightly more than doubled capacity even after dismantling 40% of the 500,000 ingot tons with which it ended the war. Over that same period, the industry added 35%, dismantled 5%.

Last Jan. 1, GC was up to 1.44-million ingot tons, and by some time next year it'll have 1.58-million, about five times the industry's 63% growth since 1946.

Nor will it end there. GC now plans 1.74-million tons by 1962, and 2.5-million tons by 1965 or 1966. Both will be at faster-than-industry rates.

In August, GC negotiated a $17-million, two-year revolving credit with seven banks—its first outside financing since 1955.

• **Finishing Plant**—There's no point, of course, to expanding ingot capacity without equally firm attention to finishing plant. In that line, as well, Granite City has gone a long way.

For example, it had 60,000 tons of galvanized sheet capacity, in 1948, and 50,000 tons of electrolytic tinplate capacity. In 1957, it had 214,000 tons of galvanized sheet capacity and 83,000 tons of tinplate capacity.

Right now, it's adding a second electrolytic tin line, with half again as much capacity as the present line. In

One Plant

1961, it'll add another continuous galvanizing line.

And since the war's end, too, everybody refurbished plant completely. By and large, that's how the industry built most of the 58-million ingot tons it added between 1945 and 1959. GC was no exception.

II. Advantages of Geography

You might think, from such a record, that Granite City has something the rest of the steel industry doesn't have—and in one sense, that's exactly the case. For if there ever was thriving proof of the old industry adage that "it's better to own a market than a mill," GC offers that proof.

This is apparent from two things—the company's location with respect to other steel producers, and the area in which it markets substantially all of its product. Particularly when you assess these realities in the light of Granite City's rather narrow product line, it's apparent that the company had every motivation to knock itself out in postwar expansion and modernization.

• **West and South**—Granite City lies about 300 miles southwest of one of the largest steelmaking complexes in the world, at the foot of Lake Michigan. Hence, it can't ship very far to the north or east—and particularly to the northeast—without encountering some rugged competition and having to absorb freight.

But when you look west, south, and southwest from St. Louis, you find very few steel mills within a thousand miles. As a practical matter, GC has producing competition only at Houston and Kansas City and then only in plates, and, for several reasons, that competition isn't particularly severe. All the other steel production in that region is in products Granite City doesn't make.

Naturally, it's in that region that Granite City does the bulk of its business. About 35% of its product is shipped within metropolitan St. Louis. More than 90% of its 1958 shipments went to 10 states which it can serve by truck, rail or barge. In the order of 1958 tonnage shipped, these states were Missouri, Illinois, Texas, Louisiana, Minnesota, Iowa, Oklahoma, Kansas, Tennessee, and Indiana.

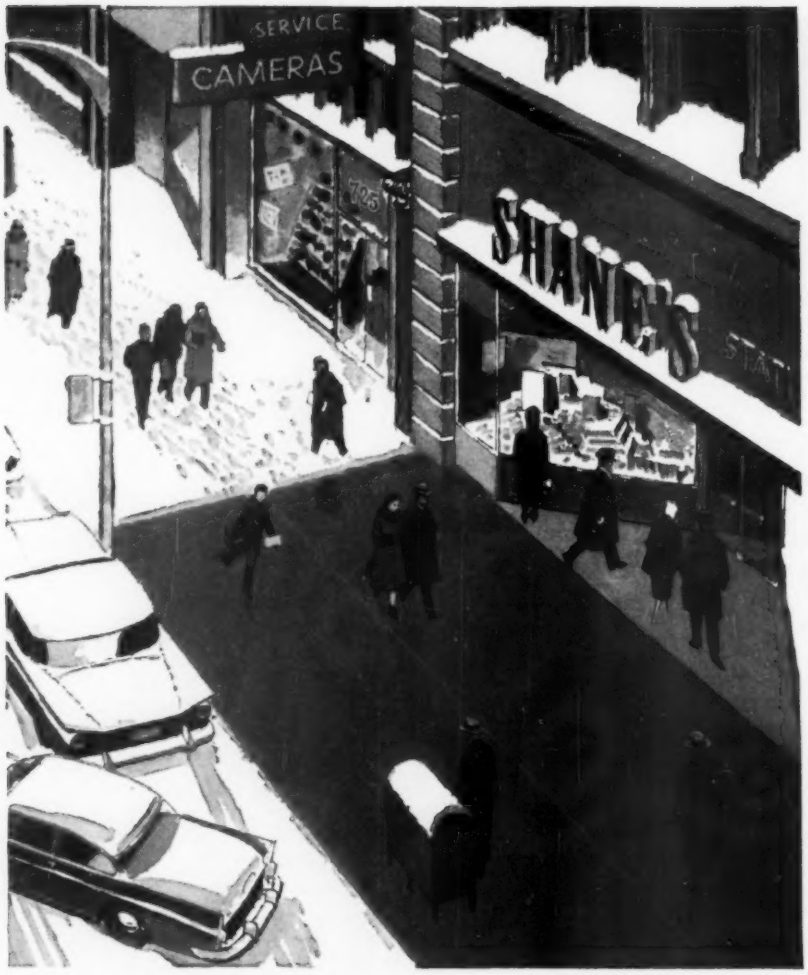
• **Edge**—Of course, quite a few other producers sell steel there, too. But in many, although not all, cases, Granite City is the nearest producer. That means some highly important things:

• Where it's the nearest producer, it ships f.o.b. mill and the buyer pays the freight.

• Those who would ship into its



MORE OF THE SAME is future strategy of Granite City's Chmn. & Pres. Nicholas P. Veeder (center), Vice-Pres. W. R. Bascom (left), Exec. Vice-Pres. James L. Hamilton Jr.



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markets from farther away must absorb part of the freight bill to compete. Hence, they realize a smaller "mill net return" on each product ton.

• GC can charge an "arbitrary"—a flat impost on top of the published price. For the bulk of GC's tonnage, its arbitrary amounts to $2 per ton. On most of its tinplate, its arbitrary probably averages close to $3 per ton.

• **How It Figures**—These things help explain where the company got the earnings to finance such rapid expansion, the revenues to support such a heavy load of debt, and the long-term prospects to make so staggering a commitment in fixed assets attractive.

Look at it this way:

Assume Granite City sells cold-rolled sheets to a customer in Missouri to whom GC is the nearest producer, and the published price is $125.50 per ton (disregarding extras) f.o.b. mill. Granite City realizes all of that.

Suppose steelmakers in the next three nearest producing areas face freight charges of $4, $6, and $8 per ton to deliver to that customer. They can't expect to charge a higher price—except in times of wildest demand—so their realization, or "mill net return," is reduced to $121.50, $119.50, and $117.50, respectively. They can still compete in the GC area, but can't expect to realize as much profit.

• **The "Arbitrary"**—But to get the whole picture, you have to accommodate that "arbitrary." Historically, the "arbitrary" is the means by which a remote producer offsets the higher raw material costs he incurs because he's remote. As f.o.b. mill pricing replaced the multiple basing point system, and rising freight rates became a more important part of steel's cost, the rationalization has changed somewhat.

Granite City realizes, naturally, that in markets where it's significantly the closest producer, it has a significant freight advantage. And where you have a significant advantage, it's only good business to exploit it.

So assume GC traditionally has had a $4 "arbitrary" on its cold sheet. In selling to the hypothetical Missouri customer, its realization becomes $129.50 per ton (again disregarding extras). The competitors don't bleed too badly, for their realization goes up to $125.50, $123.50, and $121.50.

The customer may not relish this, but it's not wholly disadvantageous to him. It preserves suppliers he probably couldn't hold otherwise. And in time, his day comes, too. For in steel as in everything else, a seller's market is followed by a more competitive market or worse. When demand slacks off, GC's protected market, with that arbitrary, looks more promising to competitors.

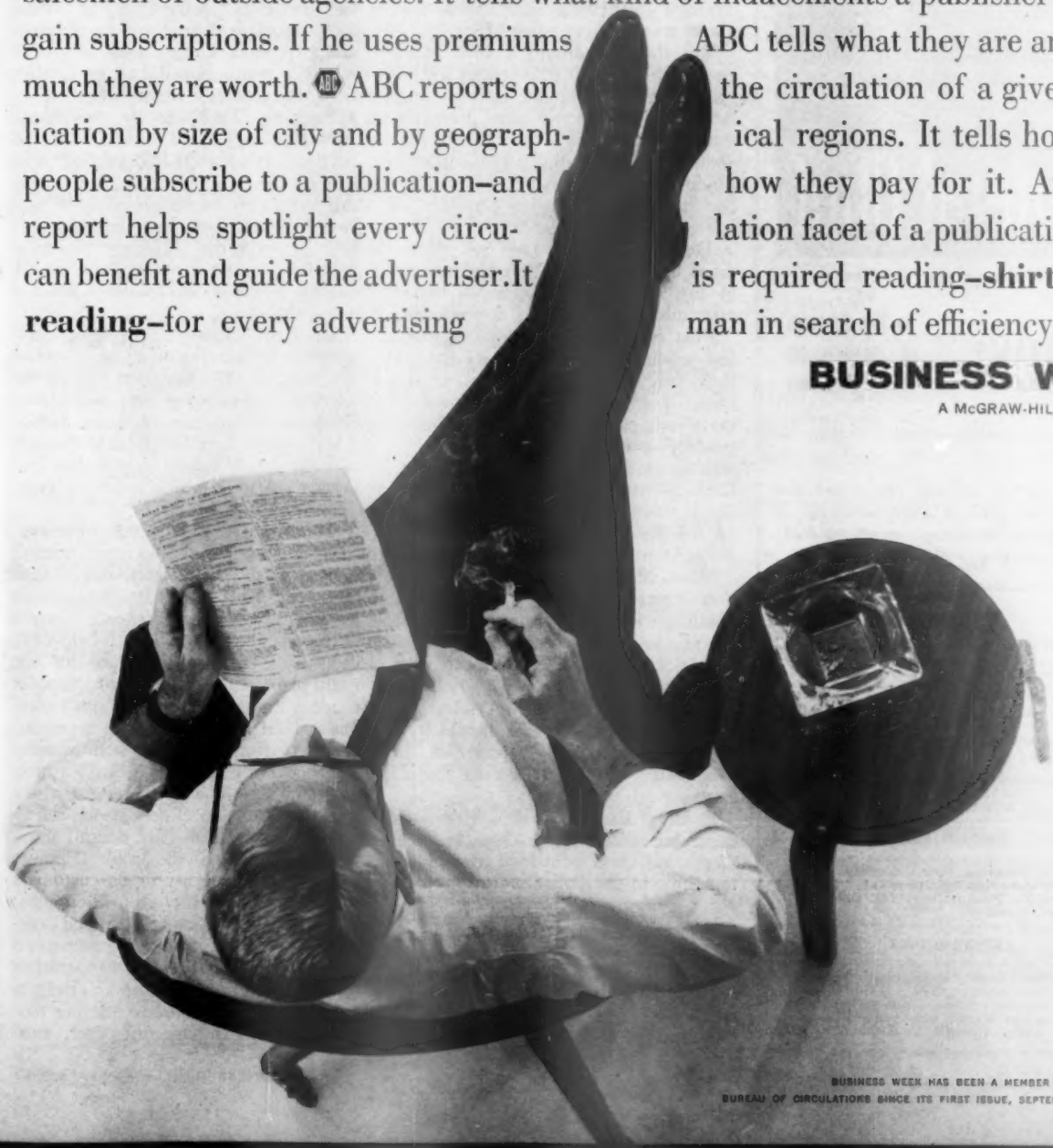
When such a trend became pronounced early in 1958, GC cut its

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arbitrary to $2. That cut the costs to its customers, and made the business less attractive to its competitors.

• **Factors**—Three things must be understood, however:

• Granite City is by no means the only producer to charge an arbitrary.

• Many more factors than the dollars-and-cents realization on a ton or product shape a producer's decision to compete or not to compete, and a buyer's decision to use a given supplier.

• And finally, this system gives an element of flexibility to a price structure that's otherwise pretty rigid. It tends to protect capital, to promote competition, and to make available alternate sources of supply.

III. Object: Earnings

In Granite City's case, geography helps explain earnings which have been consistently ahead of the industry through the 1950s, and spectacularly ahead several times since 1955.

But there's more to it than a protected market. The other secret weapon on earnings is yield—the ratio of product tons shipped to ingot tons produced. Traditionally, the industry ships about 74% of its ingot production in product form. But from 1953 through the first half of this year, Granite City has averaged 86% yield.

• **How GC Does It**—That doesn't mean Granite City is that much better at steelmaking. It does mean that it takes advantage of all its opportunities.

First off, because it makes relatively few products, all of which are flat and thus flow down the same processing lines, it can organize its equipment quite meticulously for more efficient production than can a producer who's making quite a few different products. Consequently, where the average producer would expect, say, a 77% yield on his flat-rolled product, GC figures it ought to get 80% routinely.

When it can, GC also rolls conversion tonnage—most of it converting semifinished stainless to hot-rolled coils for non-integrated specialty producers.

As a result, in 1955, it shipped product equivalent to 88.1% of what it melted, earned 10.84% on sales, and in 1956, shipped 91.9%, for 11.02% profit. Its profit ratio average for the two years was highest among the 25 largest steel producers.

Earnings have subsided a little since then, but have stayed close to U.S. Steel's and have remained among the top three in the entire industry.

IV. More of the Same

With its plant modernized and expanded, with its earnings good and its rather heavy debt handsomely covered, Granite City is in a position to ponder its future in all manner of expansive terms.

There's the possibility of merger, for example. Because of its strategic location, the company has been a subject of merger rumors for years—and the way it has improved itself has only made such rumors more intense.

At the company, these are not received happily at all. Granite City vows it has no merger plans under consideration. It knows of none coming up, has none of its own. It believes that the Bethlehem-Youngstown merger decision obviates any merger useful or attractive from GC's viewpoint.

If not merger, what? There are some acquisitions that make sense to outsiders and appear to laymen, at least, to be legal. But these seem to be as ill-received at Granite City as merger talk. Granite City seems determined to move ahead on its own.

And thus far, at least, that determination precludes the possibility of becoming a multi-plant producer, or of broadening its line. There's a lot of growth in GC's plans, but it's all at Granite City, Ill., and it's all in flat-rolled.

• **Bucking Tradition**—By traditional steel thinking, that's unnecessarily restrictive. It's true that flat-rolled products are the fastest-growing. But to concentrate solely on flat-rolled is to turn your back on about half the steel market. None of the 11 largest producers is thus restrictive in its product line, although National Steel doesn't avoid it by much.

Similarly, Granite City fights steel tradition by insisting on a single producing location. It's true that two of the largest 11 producers are single-plant companies. But one of them, Kaiser, is too new to have had time to expand, and the other, Inland, has a close-knit market situation which is better, even, than Granite City's.

• **Too Restricted?**—It's true, of course, that many flat-rolled products command higher base prices than many steel shapes. But even with its emphasis on tinplate and galvanized sheets, Granite City's revenue per ton is well below the industry average and that of its big, multi-plant competitors with broader product lines. You certainly can't complain about GC's earnings as a percent of sales. But you can't help wonder whether its earnings future isn't a little restricted so long as it stays right where it is and sticks so closely to flat-rolled.

Granite City, naturally, doesn't think it's harmfully restricted at all. It points to the broad diversity of its customers as evidence of stability even when autos and appliances—major flat-rolled customers—are slow. And it has organized Granco Steel Products Co. to manufacture construction products. That's a classic way to improve revenue per ton, and it appears to have real effect. **END**

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Dealing With the Dollar Glut

There is a new sense of realism and urgency in the way both this country and its allies are approaching the critical problem of the U. S. balance of payments and the drain on the Treasury's gold stock. In the U. S., government officials and businessmen alike have stopped trying to ignore the situation, belittle it, or wish it away. Abroad, there is a growing realization that if the U. S. does not take moderate measures to cut the payments deficit now, it will some day be forced to make drastic moves—moves that unquestionably could restore the preeminence of the dollar but that might have violent repercussions on the rest of the world.

Thanks largely to the efforts of Secy. of the Treasury Anderson, who was early to recognize the problem, the Administration now is beginning to take some of these moderate preventive steps. A new policy is developing in the areas of foreign aid, overseas military spending, and trade. In combination, these steps should bring an appreciable reduction in our payments deficit.

In the case of foreign aid, the Administration is shifting away from its old policy of providing dollar credits without a stipulation that they should be used to buy American goods. Last week, the Development Loan Fund announced that most future loan commitments will be "tied" to purchases in the U. S. The same rule is to be applied to some of the grants made by the International Cooperation Administration.

Up until now, DLF has allowed borrowing nations to spend their loans wherever it suited them. This has simply meant that the U. S. was providing the financing for sales by countries that were perfectly capable of financing their own exports. In one case, a foreign buyer shopping for West German machinery couldn't arrange the terms he liked; the Germans advised him to get a U. S. loan to float the deal. As a result of this, an increasing proportion of the dollars we give in aid have been passing into the hands of nations that do not spend them but hold them as balances.

When it comes to U. S. military spending abroad, the situation is similar. Originally, the object was to procure as much as possible in friendly countries, thus providing them with the means of buying American goods. Now, the Pentagon wisely is shifting to an economy program. It plans to reduce the amount of local procurement abroad and, in addition, to drop some of the "frills" our overseas forces have become accustomed to. Washington also hopes that our NATO allies can be persuaded to pick up some of the cost of having American forces stationed on their soil.

Equally important, the Administration is insisting that foreign nations remove their arbitrary restrictions against the import of U. S. goods, or against travel to the U. S. by their citizens. This week in Tokyo, Under Secy. of State Dillon raised the issue of "dollar discrimination" in the strongest terms at a meeting of the General Agreement on Tariffs and Trade (GATT). Two days before that, the International Monetary Fund gave the U. S. stand its full endorsement.

The Real Goal

These shifts in policy undoubtedly disturb many Americans who have fought hard through the postwar period to liberalize U. S. trade policies. What these people fail to see is that policy must change to take account of a changing situation. The economic problem that faces the free world is no longer a dollar shortage but rather a dollar glut. Under these circumstances, we are not serving our broad purpose of promoting freedom in international trade if we persist in financing sales by competing nations. Indeed, we are defeating that purpose in the end, because if we do not bring our payments into balance by moderate measures now, we will be setting the stage for a violent resurgence of protectionism in this country.

Surely, it is clear by now that in our postwar efforts to rehabilitate the economy of the free world, we imposed some very real handicaps on the dollar. These handicaps may have made sense in the days of the dollar gap, but they are insupportable now that Western Europe and Japan are fully competitive with the U. S.

It is perfectly reasonable for the government to readjust its policies to this situation. It is equally reasonable for it to demand that our friends abroad remove outdated restrictions on dollar trade.

U. S. businessmen must remember, however, that these moves alone will not suffice to bring our international payments into balance. To accomplish that, we must achieve a real increase in the volume of exports. And this increase can be achieved only if U. S. manufacturers go into the markets of the world prepared to sell as they have never sold before.

There is no blinking the fact that U. S. industry is not equipped today to push exports in Western Europe as European industrialists have pushed their sales in this country. The long years of simply writing up orders have left our export industry unaccustomed to talk in terms of credit, service, and product design in the way that our competition has learned to do.

The efforts that the government is now making to deal with the dollar glut will have to be matched by even more intense efforts in U. S. industry. In the long run, that is the only answer that will work.

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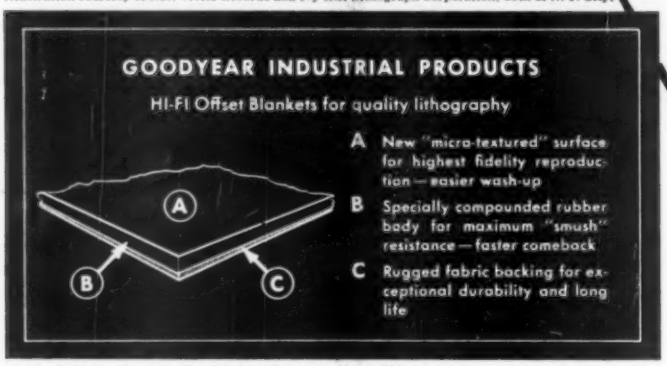
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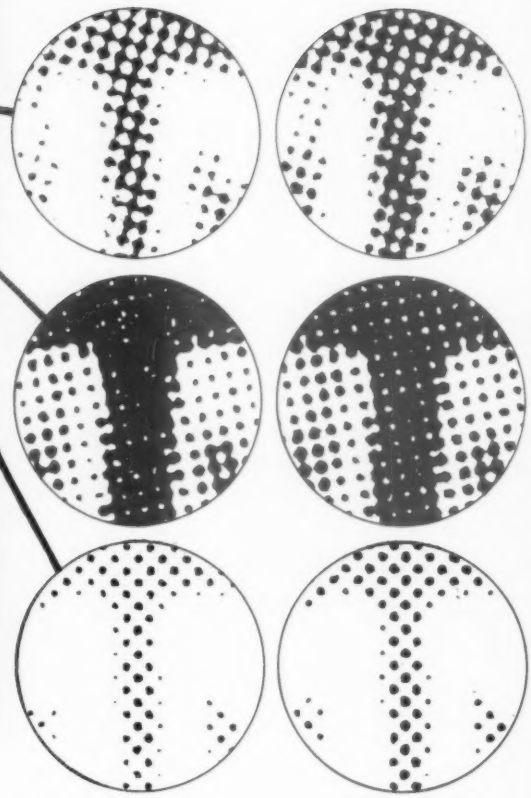
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